

U.S. DEPARTMENT OF EDUCATION
FEDERAL FAMILY EDUCATION LOAN PROGRAM

GUARANTY AGENCY MONTHLY CLAIMS AND COLLECTIONS REPORT
INSTRUCTIONS

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U.S. DEPARTMENT OF EDUCATION
GUARANTY AGENCY MONTHLY CLAIMS AND COLLECTIONS REPORT
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II. INTRODUCTION

Reporting Burden

According to the Paperwork Reduction Act of 1965, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid control number for this information is **1840-0582**. The time required to complete this information collection is estimated to average 5 hours per response, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to:** U.S. Department of Education, Washington, DC 20202-4651. **If you have comments or concerns regarding the status of your individual submission of this form, write directly to:** U.S. Department of Education, 600 Independence Avenue, SW, ROB-3, RM 4517, Washington, DC 20503.

Background

The Guaranty Agency Monthly Claims and Collections Report (ED Form 1189) is used by a guaranty agency to request payments from, and to make payments to, the Department of Education (ED) under the Federal Family Education Loan (FFEL) Program. The program is authorized by Title IV, Part B of the Higher Education Act of 1965, as amended (HEA). The FFEL programs which a guaranty agency may administer are:

- the Robert T. Stafford Student Loan Program (Federal Stafford Loans or Federal Stafford),
- Federal PLUS Loans,
- Federal Supplemental Loans for Students (Federal SLS),
- Federal Consolidation Loans and
- Unsubsidized Stafford Loans for Middle-Income Borrowers (Unsubsidized Stafford);

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These programs are explained further below.

An agency must use ED Form 1189 to request payments of reinsurance for FFEL Program claims paid to lenders and for costs incurred for supplemental preclaims assistance (SPA).

An agency also uses the form to report payments for amounts due ED for collections on defaulted loans on which reinsurance has been paid and for refunding amounts previously paid for reinsurance claims.

The ED Form 1189 is the cornerstone of the monthly cycle used by ED to carry out financial activities between each guaranty agency and ED. The form is submitted once a month and reflects the FFEL activity of an agency for the loan programs in the previous month. ED uses the information from the ED Form 1189 as well as relevant data from the Guaranty Agency Quarterly/Annual Report (ED Form 1130) to determine and process payments from and to the agency.

When the ED Form 1189 is approved, the guaranty agency is sent a statement reflecting the financial activity which has occurred during the month. Any net payment due an agency in relation to this processing is electronically transferred to the agency's financial institution approximately 30 days after ED receives an acceptable ED Form 1189. For example, an agency would report its activity for March on an ED Form 1189 in early April. If the form was acceptable, the agency would receive a financial activity statement near the end of April, and would receive any payment due in early May.

Other References

These instructions provide information on how to complete each item in the ED Form 1189. However, they do not restate in their entirety the laws, regulations, and policy bulletins which may apply to an item on the form. The following material should be consulted when completing the ED Form 1189:

- the Higher Education Act of 1965, as amended, and in

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- particular, Title IV, Part B (20 U.S.C. 1071 et seq.)
- the Code of Federal Regulations, Department of Education, 34 CFR Part 682, Federal Family Education Loan Program (formerly Guaranteed Student Loan and PLUS Programs), and 34 CFR Part 668, Student Assistance General Provisions, and
 - Student Financial Assistance Programs bulletins. The majority of the bulletins which apply to the ED Form 1189 are addressed directly to the guaranty agencies in the GA bulletin series. However, some bulletins issued to schools and lenders may also apply.

Note that the FFEL Program has frequent changes in laws, regulations, and policies. A guaranty agency is responsible for complying with all current laws, regulations, and policies, and for ensuring that any information provided on the ED Form 1189 conforms with them.

Guaranty Agency Records

The ED Form 1189 requires summary information only concerning a guaranty agency's claims, collections, and related activity over a monthly period.

Unless otherwise specified, report only on activities on loans guaranteed under the FFEL Program at the time the loan guarantee was issued and which are eligible for, or on which reinsurance was paid. Loans guaranteed under other programs administered by the guaranty agency are not to be included in this report. For example the report should not include activity of a student loan program established by State law and operated entirely with State funds for individuals pursuing a particular course of study.

The monthly period used must be consistent with the quarterly and yearly periods used for the Guaranty Agency Quarterly/Annual Report (ED Form 1130).

The agency must maintain detailed records to support each entry on the ED Form 1189 and be able to reconstruct the entries back to individual loan, borrower or lender levels, or to specific guaranty agency level transactions. This

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includes keeping accurate records of reinsurance payments and collections on defaulted loans at the loan and borrower level. All records must be available for verification by representatives of the Secretary of Education or other authorized representatives of the U.S. Government.

A guaranty agency is required to maintain all records in the manner and for the period of time set forth in the program regulations.

Report Period

The ED Form 1189 is a summary of a guaranty agency's transactions for a given month for a given FFEL loan program. Submission of the ED Form 1189 for any given monthly period is optional. However, a guaranty agency can submit only one ED Form 1189 for any month. Additional submissions for the same monthly period will be returned and the agency will be requested to submit the material in its next monthly submission.

However, a guaranty agency may voluntarily, or be required by ED, to make corrections to a given submission.

The guaranty agency must indicate on each form the month and calendar year covered by the form and whether it is an original or a correction submission.

Though submitting an ED Form 1189 for any given month is optional, a guaranty agency cannot receive reinsurance or most other types of payments unless the form is submitted. Also, a guaranty agency may be subject to penalties by ED if it fails to report collections on defaulted loans or other matters on the form on a timely basis.

Loan Type Definitions

The ED Form 1189 must be submitted by month and loan type. Loan type refers to the specific FFEL program or combination of loan programs being reported. The FFEL programs which a guaranty agency may administer are:

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- Federal Stafford (except Unsubsidized):

The Robert T. Stafford Federal Student Loan Program. These are loans insured by the guaranty agency where the borrower's interest is subsidized by ED during in-school and grace periods and periods of authorized deferment. Such loans have been referred to previously as Stafford Loans, Guaranteed Student Loans, and GSL loans.

Some lenders made unsubsidized Stafford Loans before the enactment of Section 428H. Such loans would cover the costs of instruction for periods of enrollment beginning before October 1, 1992. These unsubsidized Stafford Loans are included in the definition of Federal Stafford (except Unsubsidized).

This definition does not include loans made under the authority of Section 428H of the HEA, Unsubsidized Stafford Loans for Middle-Income Borrowers. They are loans to borrowers who do not qualify for Federal interest subsidy payments and are only for enrollment periods beginning on or after October 1, 1992. The reference "(except Unsubsidized)" refers to the exclusion of these loans.

- Federal PLUS:

The Federal PLUS Loans Program. These are loans to parents of students. Such loans have been referred to previously as PLUS Loans, PLUS - Parent loans, and Parental Loans for Undergraduate Students.

This includes loans that were refinanced to secure a variable interest rate under Sections 428B(e)(2) and (3) of the HEA. Both the underlying loans and the refinanced loan are included in this definition.

Loans refinanced to secure combined payment under Section 428(B)(e)(1) of the HEA do not result in the creation of a new loan. Instead, the underlying PLUS loans are still in effect and are reported separately.

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- Federal SLS:

The Federal Supplemental Loans for Students Program. These were loans to graduate and professional students, and to undergraduate independent students. Federal SLS loans were also made under certain conditions to undergraduate dependent students. Such loans have been referred to previously as PLUS - Student and ALAS loans.

The SLS Program ended July 1, 1994 and no new loans may be made for periods of enrollment beginning on or after this date.

The SLS Program included loans that were refinanced to secure a variable interest rate under Sections 428A(d)(2) and (3) of the HEA. Both the underlying loans and the refinanced loan are included in this definition.

Loans refinanced to secure combined payment under Section 428A(d)(1) of the HEA do not result in the creation of a new loan. Instead, the underlying SLS loans are still in effect and are reported separately.

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- **Federal Consolidation:**

The Federal Consolidation Loan Program. These are loans made under the authority of Section 428C of the HEA by consolidating the principal, borrower interest, and reasonable collection costs due at the time of consolidation on Federal Stafford Loans (both subsidized and unsubsidized, including Unsubsidized Loans for Middle-Income Borrowers), Federal PLUS Loans, Federal SLS Loans, Federal Perkins Loans (previously referred to as National Direct Student Loans, National Defense Student Loans, and NDSL loans), Federal Insured Student Loans (FISL), Health Education Assistance Loans (HEAL's made under Subpart I, Part A, Title VII of the Public Health Service Act) and Health Professions Student Loans (HPSLs made under Subpart II, Part A, Title VII of the Public Health Service Act), and loans made under the Nursing Student Loan Program, Subpart II of Part B, Title VIII of the Public Health Service Act.

Reasonable collection costs for consolidated loans cannot exceed 18.5 percent of the outstanding amount of principal and accrued interest on the loan at the time the agency certifies the pay-off amount to the consolidating lender.

Federal SLS and Federal PLUS loans refinanced under Sections 428A(d)(2), 428A(d)(3), 428B(e)(2) or 428B(e)(3) of the HEA are still considered to be Federal SLS or Federal PLUS loans. They are not Federal Consolidation Loans.

- **Unsubsidized Stafford:**

The Unsubsidized Stafford Loans for Middle-Income Borrowers Program. These are loans under the authority of Section 428H of the HEA to borrowers who do not qualify for Federal interest subsidy payments under Section 428 of the HEA. Essentially, these are the same as Federal Stafford Loans except for the borrower interest subsidy. Only Unsubsidized Stafford Loans made to cover the

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costs of instruction for periods of enrollment beginning on or after October 1, 1992 are included in this definition. Unsubsidized Stafford Loans made for enrollment periods before October 1, 1992 are included in the Federal Stafford (except Unsubsidized) definition.

See Loan Type Requirements in this Chapter for reporting information.

The FISL Program

The Federal Insured Student Loan (FISL) Program was the only FFEL Program not mentioned above because it is not administered by a guaranty agency. The FISL Program provided loans insured by ED instead of a guaranty agency under Sections 429 and 430 of the HEA. They were essentially Federal Stafford Loans where the Federal government provided the loan guarantee to lenders instead of a guaranty agency. FISL loans have not been made since the middle of 1984, though there are some that are still outstanding.

Since the FISL Program was not administered by guaranty agencies, it is not reported on the ED Form 1189. Any reference to the FFEL Program or to Federal Stafford Loans on the ED Form 1189 excludes FISL.

This is not the same as on the Lender's Interest and Special Allowance Request and Report (ED Form 799) which lenders submit quarterly to ED. On that form, Federal Stafford and FISL loans are often grouped together.

It is also not the same as on the Guaranty Agency Quarterly/Annual Report (ED Form 1130). Though excluded in most places on the ED Form 1130, the FISL Program is referred to and reported on because a FISL can be one of the underlying loans of a Federal Consolidation Loan guaranteed by the agency.

Federal Stafford and Unsubsidized Stafford Terminology

Throughout these instructions references are made to Feder-

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al Stafford Loans and Unsubsidized Stafford Loans. Part B of the Higher Education Act of 1965, as amended establishes the Federal Family Education Loan (FFEL) Program. The principal loan program under the FFEL Program is the Robert T. Stafford Student Loan Program, and the main type of loans is referred to as Federal Stafford Loans. These loans are guaranteed by the guaranty agencies and are eligible for interest subsidies.

Before the passage of the Higher Education Amendments of 1992, some lenders made Federal Stafford Loans which were not eligible for interest subsidies. These loans were treated as Federal Stafford Loans in all other respects. Such loans were usually, and continue to be referred to as non-subsidized Stafford Loans.

The Higher Education Amendments of 1992 established a program under Section 428H of the HEA called Unsubsidized Stafford Loans for Middle-Income Borrowers. This program also provides for making Federal Stafford Loans which are not eligible for interest subsidies due to lack of financial need by the borrower. However, only unsubsidized loans made to cover the costs of instruction for periods of enrollment beginning on or after October 1, 1992 are covered by this program. ED is required to gather separate data on these particular unsubsidized loans. Guaranty agency activity concerning these loans must be reported separately on the ED Form 1189.

Throughout the ED Form 1189, four types of Federal Stafford Loans are reported:

- Federal Stafford (except unsubsidized) loans first disbursed before October 1, 1993,
- Federal Stafford (except unsubsidized) loans first disbursed on or after October 1, 1993,
- Unsubsidized Stafford loans first disbursed before October 1, 1993, and
- Unsubsidized Stafford loans first disbursed on or after October 1, 1993.

Federal Stafford (except unsubsidized) refers to all Fed-

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eral Stafford Loans eligible for subsidized interest and any unsubsidized interest Federal Stafford Loans which were made to cover the costs of instruction for periods of enrollment beginning before October 1, 1992, that is, before the beginning of the Unsubsidized Stafford Loans for Middle-Income Borrowers program. Any such reference to Federal Stafford Loans excludes Unsubsidized Stafford Loans for Middle-Income Borrowers unless specifically stated otherwise. Federal Stafford Loans are included in the loan type of all other FFEL programs combined on the ED Form 1189.

Unsubsidized Stafford refers only to unsubsidized Federal Stafford Loans made under the Unsubsidized Stafford Loans for Middle-Income Borrowers program, Section 428H of the HEA. It excludes any other unsubsidized Federal Stafford Loan unless specifically stated otherwise.

Any reference to all Federal Stafford Loans, both subsidized and unsubsidized, including Unsubsidized Stafford Loans for Middle-Income Borrowers, usually will be stated as "Federal Stafford Loans (both subsidized and unsubsidized)."

Loan Type Code Requirement

This item has been expanded due to the need to collect separate information on Subsidized Stafford Loans first disbursed before October 1, 1993 and Subsidized Stafford loans first disbursed on or after October 1, 1993 and both types of Unsubsidized Stafford Loans. This item is the "loan type code." In this edition of the ED Form 1189, information reported must be broken down as follows:

<u>Loan Type</u>	<u>Description</u>
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Loans First Disbursed Before October 1, 1993:

TA	all "other" FFEL Program loans combined (Federal Stafford, Federal PLUS, Federal SLS and Federal Consolidation <u>but excluding</u> Unsubsidized Stafford Loans for Middle-Income Borrowers)
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TU Unsubsidized Stafford (Unsubsidized Stafford Loans for Middle-Income Borrowers)

Default claims on loan guarantees transferred into a guaranty agency under the Secretary's Plan, regardless of the first disbursement date, should always be reported under the TA or TU loan type codes. This is necessary to ensure reimbursements, refunds and collections are calculated at 100, 90, or 80 percent.

Exempted claims, regardless of the first disbursement date, should always be reported under the TA or TU loan type codes to ensure reimbursements, refunds and collections are calculated at 100 percent.

Loans First Disbursed On or After October 1, 1993:

XA All "other" FFEL Program loans combined (Federal Stafford, Federal PLUS, Federal SLS, and Federal Consolidation but excluding Unsubsidized Stafford Loans for Middle-Income Borrowers)

XU Unsubsidized Stafford (Unsubsidized Stafford Loans for Middle-Income Borrowers)

Each Part, or page of each Part, must be submitted separately for each loan type code.

See the Report Packaging Section below on how to report using loan type code. See the Loan Type Code Section of Chapter III, Cover Page and Page Headings for the codes to be used.

Report Packaging

The ED Form 1189 has eleven Parts on 16 pages. Parts B, D, E, and F are two pages each. Parts A, C, G, H, I, J and K are one page each. The other page in the package is the Cover Page.

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Submission of the Cover Page is optional.

Parts A through H, and Part J only need to be submitted if there is activity to report for that Part/loan type/reporting month combination. For Parts which have two pages, only the page of the Part reporting activity needs to be submitted.

Part I, Non-Payment Activity, must always be submitted for each loan type for the month if any activity covered by Part I occurred for that loan type that month. It must also be submitted if the guaranty agency submits any other of the reporting Parts of ED Form 1189 for the month. Thus, if the guaranty agency submits any Part A through H or Part J, then four Part I's must also be submitted for the same month. This submission must be made even though the guaranty agency may not have any activity to report on Part I for any given loan type for the month in question.

Part K, Certification, also must always be signed and submitted if any other Part of the ED Form 1189, Parts A through J, is submitted.

In summary, if the guaranty agency submits any Part A through H, or Part J, then Parts I and K must also be submitted. If the agency submits just Part I's, then Part K must also be submitted.

Except for Part K, Certification, multiple copies of a Part or a page will usually need to be submitted in the same ED Form 1189 submission to report the activity for each loan type/reporting month combination.

There is a great deal of variation possible in what guaranty agencies can submit in an ED Form 1189 package. In order for ED to ensure that an ED Form 1189 is complete, each page must be numbered from low Part to high Part, with the Cover Page, if submitted, always being the first page, and Part K, Certification, always being the last page. If an agency's submission contains multiple pages of the same Part, it would be helpful if they were sorted as follows:

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- first sort all the pages for the same Part by loan type code, in the following sequence: TA, TU, XA, XU.
- if there are multiple pages of the same Part for the same loan type code, then sort them by the month of activity.

Examples: Guaranty agency #1 has:

- a reinsurance request (Part A, Reinsurance and Supplemental Preclaims Assistance Request) for loan type code TA, for January,
- a reinsurance request (Part A, Reinsurance and Supplemental Preclaims Assistance Request) for loan type code TU, for January,
- guaranty agency collections (Part F, Default and Bankruptcy Collections) for loan type code TA, for January, and
- no non-payment activity (the single page Part I, Non-Payment Activity) to report for either loan type for January.

Guaranty agency #1's ED Form 1189 for the month of January consists of ten pages:

- the Cover Page,
- a Part A, Reinsurance and Supplemental Preclaims Assistance Request, for loan type code TA,
- a Part A, Reinsurance and Supplemental Preclaims Assistance Request, for loan type code TU,
- Part F, Default and Bankruptcy Collections, for loan type code TA (two pages),
- the single page for Part I, Non-Payment Activity, for loan type code TA,
- the single page for Part I, Non-Payment Activity, for loan type code TU,
- the single page for Part I, Non-Payment Activity, for loan type code XA,
- the single page for Part I, Non-Payment Activity,

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- ity, for loan type code XU, and
- the single page for Part K, Certification.

Guaranty agency #2 has:

- a reinsurance request (Part A, Reinsurance and Supplemental Preclaims Assistance Request) for loan type code TA, for March,
- an understated reinsurance claim request (2nd page of Part B, Additional Reinsurance Request) for loan type code TA for March,
- guaranty agency collections (Part F, Default and Bankruptcy Collections) for loan type code TA, for February,
- guaranty agency collections (Part F, Default and Bankruptcy Collections) for loan type code TA for March,
- guaranty agency collections (Part F, Default and Bankruptcy Collections) for loan type code TU for March, and
- non-payment activity (Part I, Non-Payment Activity) for loan type code TA, for March, but no such activity to report for any other loan type.

Guaranty agency #2 decides not to submit the Cover Page. Therefore, its ED Form 1189 for the month of March consists of thirteen pages:

- a Part A, Reinsurance and Supplemental Preclaims Assistance Request, for loan type code TA,
- a second page of Part B, Additional Reinsurance Request, for loan type code TA,
- the two page Part F, Default and Bankruptcy Collections, for loan type code TA, for February,
- the two page Part F, Default and Bankruptcy Collections, for loan type code TA, for all other FFEL Program loans combined for March,

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- the two page Part F, Default and Bankruptcy Collections, for loan type code TU, for March,
- the single page for Part I, Non-Payment Activity, for loan type code TA,
- the single page for Part I, Non-Payment Activity, for loan type code TU,
- the single page for Part I, Non-Payment Activity, for loan type code XA,
- the single page for Part I, Non-Payment Activity, for loan type code XU, and
- the single page for Part K, Certification.

When submitting a correction only the page(s) being corrected and the Part K, Certification, must be submitted.

An agency's ED Form 1189 will be checked upon its receipt by ED. If the submission contains unnumbered pages or is missing pages, the entire form will be returned to the agency for correction without further processing. This is necessary because ED will not be able to determine whether a submission is complete, or, if pages are missing.

To facilitate the processing of the ED Form 1189, the agency must indicate on the certification page for each report the type of submission it is making each time, i.e., an original submission or a correction.

For each page submitted, the page heading must always be completed. The page heading consists of the guaranty agency's State name, the guaranty agency's code, the reporting month, the page number, and the total number of pages. For Parts E, F, H and J, the heading also contains the month the activity being reported occurred.

The Cover Page heading is the same as the heading for Part K, Certification. If the Cover Page is submitted, then its heading must be completed and the page must be numbered.

Completing Line items

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For any line item, if any one column in the item is completed, then all columns for the line item must be completed, even if a zero (0) is used. If any column in a line item contains a zero, then all other columns must contain a zero or a value greater than zero. Please note that many items request the number of transactions and the related dollar amount. In most but not all of these cases, it is illogical to report a dollar amount if the related number of transactions is zero. ED will edit and reject forms containing such inconsistencies.

If a guaranty agency is using a computer to help prepare a form, submission of Parts containing all zeros or all blanks, except for the heading, is acceptable.

Enter all dollar amounts which are greater than zero to the nearest cent, and include the decimal point. ED always assumes in this form that the last two digits in a dollar amount field represent cents. If a value represents dollars only, include a decimal point followed by two zeros to represent cents. This is not the same as the Guaranty Agency Quarterly/Annual Report (ED Form 1130) where the reporting of dollars only is required.

Example: The dollar amount of one hundred twenty-five dollars must be entered as \$125.00. If the amount is entered as \$125, ED will interpret it as \$1.25 (one dollar and twenty-five cents).

All items on the ED Form 1189 represent values of zero or more. That is, only positive values are to be reported. ED will perform any necessary subtraction or other arithmetic on individual items to calculate the amounts payable to or owed by the guaranty agency.

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Interest Definitions

Throughout this report, references are made to various types of interest. The term for each type of interest is defined below instead of being defined each time the term occurs.

Interest capitalized by the lender: Principal is the loan amount upon which a lender bases its interest calculations. The FFEL Program allows a lender to make interest part of the principal under certain conditions. Throughout this report, such an action and such an interest amount is referred to as interest capitalized by the lender. Once interest is capitalized by the lender, it is usually not referred to separately any more. Instead, the capitalized interest and the original loan amount are referred to together as principal.

Lender (or borrower) interest: This is interest calculated by the lender on the loan principal, but which is not capitalized by the lender. This interest is payable by the borrower, so it is sometimes referred to as borrower interest. On subsidized Federal Stafford loans, ED pays the interest to the lender for the borrower under certain conditions. When a lender files an insurance claim on the loan with a guaranty agency, then lender interest stops accruing. For the purpose of the ED Form 1189, the interest which accrues after this date is referred to by another term as described below. Unpaid lender interest is paid to a lender by the guaranty agency as part of an insurance claim.

Guaranty agency claim interest: This is interest calculated by the guaranty agency on the loan principal while a lender's insurance claim is being processed by the guaranty agency, and which is eligible for reinsurance from ED. It is paid to the lender by the guaranty agency as part of an insurance claim.

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Non-reinsured GA interest: This is interest calculated by the guaranty agency on the loan principal while a lender's insurance claim is being processed by the guaranty agency.

This interest must be paid to the lender but is not eligible for reinsurance from ED. The Secretary of Education is entitled to an equitable share of any of this interest collected from a borrower. Non-reinsured GA interest is interest for time periods which is excluded from eligibility for reinsurance by law or regulation. Even though non-reinsured GA interest is not eligible for reinsurance, this interest must be paid to the lender by the guaranty agency as part of an insurance claim.

Purchased interest: This is the interest a guaranty agency pays to a lender at the time an insurance claim is paid. It consists of lender interest, guaranty agency claim interest and non-reinsured GA interest, as defined above. The guaranty agency must capitalize all purchased interest and treat it as principal for collection purposes, including for the purpose of the calculation of accrued interest as defined in the next paragraph.

Accrued interest: Accrued interest is interest calculated by the guaranty agency (not the lender) on the loan principal in a collection account for collection from the borrower after an insurance claim is paid to a lender. The loan principal in a collection account also includes all purchased interest (lender interest, guaranty agency claim interest and non-reinsured GA interest) because all purchased interest must be capitalized by the guaranty agency at the time the insurance claim is paid.

Reinsurance, Trigger Figure, and Collections

The two main purposes of the ED Form 1189 are to pay reinsurance to, and to receive collections on defaulted loans from a guaranty agency. These concepts are explained briefly here.

FFEL Program loans which a lender makes to a borrower are insured by a guaranty agency. When a lender is unable to

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collect on a loan, it files an insurance claim with the guaranty agency. Each guaranty agency has reinsurance agreements with ED to reimburse the agency for part of its losses. The ED Form 1189 is used to request these reimbursements. ED will pay reinsurance for the following types of claims:

- default
- exempt (default)
- bankruptcy (Chapter 12 & 13)
- death or disability
- bankruptcy (Chapter 7 & 11)
- closed school
- false certification
- lender-of-last-resort loan (default)

Definitions of each of these claim types are given in the instructions to each part of the ED Form 1189 as they apply to that particular part. In general, ED will reimburse a guaranty agency for 100 percent of its losses of all of the claim types above except defaults, which are subject to a reduced reimbursement rate. For purposes of reinsurance, a guaranty agency's losses consist of loan principal, lender interest and guaranty agency claim interest. Non-reinsured GA interest is not eligible for reinsurance, even though the guaranty agency must pay it to lenders.

Default claims are subject to a "trigger figure." At the beginning of each federal fiscal year, ED calculates the trigger figure for each guaranty agency. The trigger figure is actually two figures, 5 percent and 9 percent of the guaranty agency's loans which were in repayment at the end of the fiscal year which just ended.

Lender-of-last-resort loans are loans made only to students who are otherwise unable to obtain loans. A lender-of-last-resort loan (default) claim is one on which the borrower failed to make an installment payment when due, as defined in the regulations. These claims will always be reimbursed for 100 percent of their reinsured losses. However, lender-of-last-resort loan (default) claims are

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not exempt from the numerator (reimbursements made by the Secretary) of the reinsurance trigger rate calculation.

ED reimburses a guaranty agency for 100 percent of its losses on default claims when the loan was first disbursed before October 1, 1993 and 98 percent of its losses on loans first disbursed on or after October 1, 1993 until these losses plus lender-of-last-resort loan (default) claim losses exceed 5 percent of the loans in repayment. On loans first disbursed on or after October 1, 1993, the guaranty agency pays the lender 98 percent of the lender's default claims.

When default and lender-of-last-resort loan (default) claim losses exceed 5 percent of the loans in repayment it "triggers" ED to reimburse the agency for only 90 percent of its default claim losses on loans first disbursed before October 1, 1993 and 88 percent on loans first disbursed on or after October 1, 1993. When defaults and lender-of-last-resort loan (default) losses exceed 9 percent of loans in repayment, it "triggers" ED to reimburse only 80 percent of an agency's default claim losses on loans first disbursed on or after October 1, 1993 and 78 percent on loans first disbursed on or after October 1, 1993. Paying an agency for only 98, 90, 88, 80 or 78 percent of its losses is also referred to as a "reduced reimbursement rate." The reimbursement rate is never less than 78 percent under current regulations.

Part A of the ED Form 1189 is used to request original reinsurance payments. Parts B, C, D, E and H of the ED Form 1189 are used to make various types of adjustments to the original reinsurance transaction.

Once a default claim is paid to a lender, the guaranty agency becomes the holder of the loan and must seek to collect on the loan from the borrower. Since ED reimburses a guaranty agency on defaults, the guaranty agency must return to ED most of the amount it collects from the borrower. If ED reimbursed the guaranty agency at only 98, 90, 88, 80 or 78 percent of the default claim paid to the lender, then the agency's complement on collections from

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borrowers would be 2, 10, 12, 20 or 22 percent.

The guaranty agency also is allowed to keep 30 percent of the amount of collections received prior to October 1, 1993 and 27 percent of the amount of collections received on or after October 1, 1993. The formula for calculating the amount of collections to cover its collection costs, which a guaranty agency must return to ED, is referred to as the "Secretary's (of Education) equitable share" of collections.

Part F of the ED Form 1189 is the main part used to report the collections a guaranty agency makes to ED. Parts G and J are also used to report collection activities.

Part I of the ED Form 1189 is mandatory for all loan types and is used to report activity which ED needs to meet Federal financial reporting requirements. Part K is used to certify an ED Form 1189 submission.

The above general descriptions of reinsurance, the trigger figure, and collections are included here to provide those individuals preparing the ED Form 1189 a general explanation of the process. However, refer to the instructions for each part of the ED Form 1189, the HEA, appropriate regulations and policy bulletins for specifics.

Submission of the Report

The ED Form 1189 can be submitted in one of two ways:

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The first is on a computer-generated facsimile of the ED Form 1189. An original and one copy of the report must be submitted. The report must be printed on no smaller than 11 x 8½ inch paper. Each Part, and each page of each Part, must contain exactly the same words, including headings, and arrangement as on the printed form provided with these instructions. The only exception is that the lines (also called "underlines") indicating where entries are to be made may be omitted. However, the groups of "XXX" for certain columns of certain items must be included. These "XXX's" indicate that no entry can be made for that particular column of the line item. An agency does not need to obtain prior approval from ED before using a computer-generated facsimile.

The second is to photocopy and complete the form which accompanies these instructions. An original and one copy of the report must be submitted. The report must be submitted on no smaller than 11 x 8½ inch paper.

Completed ED Forms 1189 are to be submitted to:

U.S. Department of Education
Guaranty Agency Processing
Post Office Box 4137
Greenville, TX 75403-4137

Please note that this address is a U.S. Postal Service box. Forms cannot be submitted via a private package delivery or courier service such as United Parcel Service or Federal Express. If overnight delivery to ED is desired, then the guaranty agency must use the overnight delivery services available from the U.S. Postal Service.

Editing and Correction

Upon receipt of a guaranty agency's ED Form 1189, ED will edit the information for validity and reasonableness and, if necessary, request corrections. A correction is defined as a change to an agency's Form 1189 made before acceptance by ED.

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ED performs both manual and computer edits on the form. If a form is returned because it failed manual edits, ED will attempt to contact the agency contact person named on the form by telephone to inform her or him of the return.

After computer edits are performed, a printout is prepared and mailed to the agency listing all data that ED received item by item. If one or more items on an agency's ED Form 1189 failed computer edits, these items will be identified as errors on the printout. The agency must correct any item identified as being in error. ED staff may also request the agency to submit a correction if the form contains items which passed computer edits, but which seem unreasonable in view of past program activity.

When submitting a correction, provide only those pages of the ED Form 1189 that require correction. Enter all information for the entire line containing the field being corrected. Circle the specific field being corrected in **red**. The amount reported on a correction is to be the correct total amount, not the difference from the incorrect total amount originally reported.

Part K, Certification, must also be submitted indicating that a correction submission is being made, and including an original signature of an authorized official. An original and one copy of the correction must be submitted.

Submit a correction to the address given in the Submission of the Report Section above.

The correction will be analyzed and a new printout will be produced for review by ED. A copy of this will also be sent to the agency. This process will be repeated until all corrections have been made.

Once an agency's monthly submission is approved by ED, no further corrections can be made to it. Errors have to be rectified by submitting the appropriate information in a later submission.

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If the guaranty agency itself identifies errors in the information ED has and believes a correction should be made, it should contact:

U.S. Department of Education
FFEL Financial Management, AFMS, SFAP, OPE
ROB - Room 4517
400 Maryland Ave., SW
Washington, DC 20202-5455
Voice: (202) 708-9776
Fax: (202) 708-9904

Financial Processing

When ED completes the editing and review process, and ap-
proves an agency's form, the agency is sent a statement providing it with financial and other information related to its ED Form 1189 submission. This statement covers all activity reported since the last statement was sent to the agency. Examples of information the statement includes are the amount of money ED owes the agency for reinsurance claims, the agency's standing in relation to a reduction in its reimbursement percentage (the "trigger figure"), and the amount of money the agency owes ED for collections on defaulted loans.

For fiscal year 1994, Administrative Expense Allowance (AEA) will be based on the Guaranty Agency Quarterly/Annual Report (ED Form 1130) information. Reinsurance Fees will not be collected after Federal fiscal year 1993.

Reinsurance claim transactions are considered by ED to occur on the date a guaranty agency's ED Form 1189 is approved by ED.

An agency's "trigger figure" is adjusted for the fiscal year in which the approval date falls. This is not necessarily the same fiscal year in which:

- the guaranty agency paid the claim to the lender,
- the guaranty agency reported the transactions to ED, or
- the guaranty agency received the reinsurance payment

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from ED.

For end of fiscal year processing it is necessary for ED to set an end of fiscal year cut off date for receipt of ED Form 1189 submissions. Guaranty agencies should submit their ED Form 1189 timely to ensure that the form is received by ED on or before the cut off date for the fiscal year.

Example: End of fiscal year cut off date is September 8, 1995. The guaranty agency mails (via postal over night service) their ED Form 1189 For Month Of: 08/95 on September 7, 1995 to ensure that the form is received by ED on the cut off date.

Collections on defaulted loans are considered to be submitted to ED on the date that an acceptable ED Form 1189 (that is, one that is not returned to the agency for corrections) is received by ED. However, if the agency is submitting its collections directly instead of allowing the use of offset, then collections are considered to be submitted to ED on the date that the check or electronic funds transfer is received by ED.

Amounts due the agency are sent to the agency's financial institution via electronic funds transfer usually within 35 days after the date of receipt of an error-free ED Form 1189. ED will process an agency's forms in the order they are accepted. This means that an agency's June form could be processed before its May form if the June form had no errors, but the May form had to be resubmitted several times. This could result in reinsurance claims from an earlier form being paid at a lower reinsurance rate than some later claims. The guaranty agency's loan and borrower level records must reflect this.

ED will normally offset the amounts that a guaranty agency owes ED against amounts ED owes the agency. In most cases, this will result in the agency receiving an electronic funds transfer for the difference. In those cases where the agency still owes ED money after offset, then the agency's monthly statement will include a bill for the amount

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owed.

Sometimes an agency may not wish to have amounts it owes offset against what ED owes the agency. Part K, Certification, of the ED Form 1189 contains a block which the agency must complete to halt offset for all transactions processed in that cycle, and the agency must send ED the amount it owes, via check or electronic funds transfer, at the time it submits its ED Form 1189. If the agency chooses not to use offset, then no amounts processed in the monthly cycle will be offset. The agency may not choose to send ED a payment for one Part and have ED offset the amount owed in another Part. Also, the ED Form 1189 will not be approved by ED until the receipt of the check or funds transfer is verified.

An agency may submit payments that are not offset by sending ED either a check or electronic funds transfer. If the guaranty agency chooses to send a check, then it must be mailed to:

U.S. Department of Education
FFEL Financial Management, AFMS, SFAP, OPE
ROB - Room 4517
400 Maryland Ave., SW
Washington, DC 20202-5455

If the guaranty agency chooses to make an electronic funds transfer (EFT) and needs instructions, then contact ED at the address given in the Editing and Correction Section of this Chapter.

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III. COVER PAGE AND PAGE HEADINGS

Use the following instructions to complete the heading at the top of the Cover Page and the top of each Part, and each page of each Part of the ED Form 1189.

Guaranty Agency State Name

For brevity and uniqueness, ED refers to most guaranty agencies by the name of the principal State in which they do business instead of by their full legal name. The list of these names is contained in the Appendix, Guaranty Agency List. Enter the agency's State name as assigned by ED and listed in the Appendix.

Guaranty Agency Code

For automatic data processing purposes, ED assigns a three digit code to each guaranty agency. The list of these codes is contained in the Appendix, Guaranty Agency List. Enter the three digit agency code assigned by ED and listed in the Appendix.

Loan Type Code

Due to the need to collect separate information on various FFEL programs, separate pages must be completed for the programs, and identified as such. Enter the two letter code for the loan type being reported using one of the following codes:

Loans First Disbursed Before October 1, 1993:

- TA - all "other" FFEL Program loans combined (Federal Stafford, Federal PLUS, Federal SLS, and Federal Consolidation but excluding Unsubsidized Stafford Loans for Middle-Income Borrowers)
- TU - Unsubsidized Stafford (Unsubsidized Stafford Loans for Middle-Income Borrowers)

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Default claims on loan guarantees transferred into a guaranty agency under the Secretary's Plan, regardless of the first disbursement date, should always be reported under the TA or TU loan type codes. This is necessary to ensure reimbursements, refunds and collections are calculated at 100, 90 or 80 percent.

Exempted claims, regardless of the first disbursement date, should always be reported under the TA or TU loan type codes to ensure reimbursements, refunds and collections are calculated at 100 percent.

Loans First Disbursed On Or After October 1, 1993:

- XA - all "other" FFEL Program loans combined (Federal Stafford, Federal PLUS, Federal SLS and Federal Consolidation but excluding Unsubsidized Stafford Loans for Middle-Income Borrowers)
- XU - Unsubsidized Stafford (Unsubsidized Stafford Loans for Middle-Income Borrowers)

For Month Of

A guaranty agency submits an ED Form 1189 for a month of activity after the end of that month. Unless stated otherwise, it also includes all activity from prior months being reported at this time. Enter the month and calendar year of the month through which activity is being reported on the form. This is usually the month prior to the month in which the agency is completing the form. Use numbers to stand for the month. Only enter the last two digits of the year.

Examples: An agency is completing the ED Form 1189 on December 6, 1995. The data on the form reflects the agency's activity for and up through the month of November, 1995. The agency enters 11 - 94 in the "For Month Of:" block on the top of each page of the form.

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Month Reinsurance Claim Paid By ED

This item only appears on the ED Form 1189 in the heading for the two pages of Part E, Refunds for Overpayment and Overbilling. ED's accounting requirements make it necessary to know in what month the original reinsurance claim reported in this Part was paid to the agency by ED. An agency must submit a separate Part E for each month and for each loan type that a reinsurance claim (on which a refund to the Federal government is being reported) was paid to the agency. See the instructions for Part E for a further discussion of this matter.

Enter the month and calendar year in which the agency received the reinsurance claim payment for which a refund is being reported. Use numbers to stand for the month. Only enter the last two digits of the year.

Example: ED pays a reinsurance claim to the agency in June, 1995, for all other FFEL programs combined (loan type code TA). In August, 1995, the guaranty agency receives a partial refund of the claim from the lender. When the guaranty agency submits the ED Form 1189, the "For Month Of" date on the 1st page of Part E for loan type code TA is August, 1995, which is entered as: 8 - 95. The "Month Reinsurance Claim Paid By ED" date on the page is June, 1995, which is entered as: 6 - 95.

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Collections Received In Month Of

This item only appears on the ED Form 1189 in the heading for Part F, Default and Bankruptcy Collections, and Part J, GA Administrative Wage Garnishment Collections. It reports the month during which collections on defaulted loans were received by a guaranty agency. A guaranty agency is required to submit its collections within 45 days of receipt by the agency or its agent. An agency must submit separate Parts F and J for each month in which collections are received. See the instructions for Parts F and J for a further explanation of this matter.

Enter the month and calendar year in which the guaranty agency or its agent received the collections being reported. Use numbers to stand for the month. Only enter the last two digits of the year.

Example: The guaranty agency is submitting its ED Form 1189 for the month of May, 1995. Included in the report are some collections the agency received for all other FFEL programs combined for loans first disbursed before October 1, 1993 (loan type code TA) in April and May, 1995. The agency submits two Part F forms with heading items completed as follows:

Collections Received In -----	"For Month Of" Heading -----	"Collections Received In Month Of" Heading -----
April, 1995	5 - 95	4 - 95
May, 1995	5 - 95	5 - 95

Loans Rehabilitated in Month Of

This item only appears in the form in the heading for Part H, Rehabilitated Loans. ED accounting requirements make it necessary to know in what month the loans reported in this Part were rehabilitated. An agency must submit a

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separate Part H for each month and for each loan type in which loans were rehabilitated. See the instructions for Part H for a further discussion of this matter.

Enter the month and calendar year in which the loans being reported were rehabilitated. Use numbers to stand for the month. Only enter the last two digits of the year.

Page ---- of ---- Pages

Number the pages sequentially for the entire ED Form 1189 being submitted using Arabic numerals only. Also show the total number of pages in the guaranty agency's ED Form 1189 submission.

Though there are eleven Parts on 16 pages in the form, including the Cover Page, all Parts, and all pages of multiple-page Parts may not need to be submitted, with the exception of Part I, for which pages for all four loan types are required. Also, more than one copy of a given Part may be submitted for multiple loan types and multiple months. Therefore, page numbering can differ for different submissions of the form.

Number the pages from low Part to high Part, with the Cover Page, if submitted, being page 1, and Part K, Certification, always being the last page. If an agency's submission contains multiple pages of the same Part, they should be sorted as explained in the Report Packaging Section of Chapter II, Introduction, and numbered sequentially.

Do not number pages by Part or using letters such as D-1 and E-1. These pages must be numbered sequentially (e.g. ...4, 5,...) instead.

Examples: If an agency is submitting a Part A, one Part F (both pages), four Part I's, and a Part K, then the pages would be numbered 1, 2, 3, 4, 5, 6, 7 and 8 with Part A being page 1 and Part K being page 8.

If an agency is submitting three Part A's for

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three different loan type codes, two Part F's (both pages), four Part I's and Part K, then the pages would be numbered 1, 2, 3, 4, 5, 6, 7, 8, 9 10, 11, and 12 with the 1st page of Part A being page 1, and Part K being page 12.

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**IV. PART A: REINSURANCE AND SUPPLEMENTAL PRECLAIMS ASSISTANCE
REQUEST**

This Part requests reinsurance for entire default and other FFEL Program claims paid by the guaranty agency and reimbursement for supplemental preclaims assistance costs related to an agency's default prevention activities.

Enter the Guaranty Agency State Name, the Guaranty Agency Code, the Loan Type Code, the "For Month Of" date and the page numbers according to the instructions under Chapter III, Cover Page and Page Headings.

The Reinsurance and Supplemental Preclaims Assistance Request Part has two sections.

Reinsurance Request Section

This Section is used to request reimbursement to the agency of loan principal and interest paid to lenders. Only the first reinsurance request for a particular claim can be made here. If, at a later date, an additional amount for that particular claim is paid to the lender, the additional reinsurance request must be reported under Part B, Additional Reinsurance Request.

If the guaranty agency paid a default or lender-of-last-resort loan (default) claim to a lender because the borrower could not be located, then it can request reinsurance on the loan only if the agency certifies that the lender has made a diligent attempt to locate the borrower through the use of reasonable skip-tracing techniques in accordance with ED regulations. The guaranty agency must certify these skip-tracing attempts were made at the time reinsurance is requested (see Part K, Certification).

The guaranty agency must document its determination that the lender complied with the skip-tracing requirements in ED regulations. The agency's records are subject to audit by ED and other authorized representatives of the Federal government. If a guaranty agency cannot support its deter-

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mination that the lender complied with ED skip-tracing requirements, the loan could lose reinsurance and the guaranty agency could be required to refund any reinsurance paid. The guaranty agency and individual staff members could be subject to other penalties as provided by law or regulation.

If the guaranty agency paid a closed school or false certification claim to a lender and returned collections received by the lender to the borrower; this Section is used to request: (1) reinsurance on the amount of the claim paid to the lender and (2) the collections returned to the borrower. If a loan on which a default reinsurance claim was paid changes status to closed school or false certification use Part F, Default and Bankruptcy Collections to request return of collections received by the agency.

Separate pages of this Section must be submitted for each loan type code and "For Month Of" combination, however, for the Supplemental Preclaims Assistance Section, the agency has the option of reporting all SPA activity under the loan type codes of TA and TU. It is not necessary for agencies to track SPA for the two new loan type codes because the loans first disbursement date does not apply to SPA activity.

The Reinsurance Request Section has three columns and eight line items. For each of the items in this Section, enter the information requested in each column using the following definitions:

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Column A - Number of Claims

The total number of borrowers for each type of claim paid to lenders for the reporting period. The number of borrowers is a count within each item based on unduplicated social security numbers.

Column B - Principal, Lender & GA Claim Interest Paid to Lenders

The total amount the agency paid to lenders for each type of claim for:

- principal,
- lender interest,
- guaranty agency claim interest,
- collection costs for closed school and false certification claims,
- allowable outstanding collection costs on rehabilitated loans that subsequently default,
- allowable outstanding collection costs on consolidation loans that subsequently default, and
- for closed school and false certification claims the amount of collections the agency returned to the borrower at the time the claim was paid to the lender.

It does not include amounts paid to lenders for other items such as late charges, collection costs, and attorney's fees. It also excludes non-reinsured GA interest. See the Interest Definitions Section of Chapter II, Introduction, for an explanation of the various types of interest.

On rehabilitated loans that subsequently default, the allowable collection cost cannot exceed 18.5 percent of the outstanding amount of principal and accrued interest on the loan at the time the agency arranges the lender purchase to rehabilitate the loan.

On consolidation loans that subsequently default, the allowable collection cost cannot exceed 18.5 percent of the

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amount certified as the pay off amount to the consolidating lender.

Column C - Non-Reinsured GA Interest

The amount of interest calculated by the guaranty agency on the loan principal while a lender's insurance claim is being processed by the guaranty agency, but which is not eligible for reinsurance from ED.

This is interest which accrued during periods which are excluded from eligibility for reinsurance by law or regulations. An example would be interest calculated on a bankruptcy claim more than 30 days after the claim was returned to the lender for further documentation.

Though this interest must be paid to the lender by the guaranty agency as part of an insurance claim, it is not subject to reinsurance by ED. However, the Secretary of Education is entitled to an equitable share of any of this interest collected from a borrower. In addition, this interest information is needed in order to adjust ED's financial records and comply with Federal government financial reporting requirements.

See the Interest Definitions Section of Chapter II, Introduction, for a further explanation of interest.

A-1 DEFAULTS

Enter the number and amounts related to default claims for this loan type for this reporting period.

A default claim is one on which the borrower and endorser, if any, or joint borrowers on a PLUS loan, failed to make an installment payment when due, or to meet other terms of the promissory note, if the Secretary or guaranty agency finds it reasonable to conclude that the borrower or endorser, if any, no longer intend to honor the obligation to repay, provided that this failure persists for: (1) 180 days for a loan repayable in monthly installments; or (2) 240 days for a loan payable in less frequent install-

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ments.

Also, include in this line item any defaulted claims on loan guarantees transferred from an insolvent agency under a plan approved by the Secretary. Always consider these loans first disbursed before October 1, 1993 using the appropriate loan type code of TA or TU. This is necessary to ensure reimbursements, refunds and collections are calculated at 100, 90 or 80 percent.

All conditions of reinsurance coverage must be met in order for a claim paid to a lender to be eligible for reimbursement by ED. A default claim may be subject to a reduced reinsurance reimbursement rate which ED will calculate.

Note that lender-of-last-resort loan (default) claims are entered in item A-8, Lender of Last Resort Loans.

A-2 EXEMPTED CLAIMS

Enter the number and amounts related to exempted claims for this loan type for this reporting period.

An exempted claim is one on which the borrower defaulted after the lender determined that the borrower or student failed to establish eligibility for the loan.

Exempted claims, regardless of the first disbursement date, should always be reported under the TA or TU loan type code to ensure reimbursements, refunds and collections are calculated at 100 percent.

This is only a general description of exempted claims. Refer to the appropriate regulations and policy bulletins for specifics.

An exempted claim is not subject to a reduced reinsurance reimbursement rate.

A-3 BANKRUPTCY (CHAPTER 12 & 13)

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Enter the number and amounts related to Chapter 12 and 13 bankruptcy claims for this loan type for this reporting period. Chapter 12 and 13 bankruptcy claims are claims paid to a lender when a borrower files for relief under Chapter 12 or 13 of the U.S. Bankruptcy Code.

If the borrower files for bankruptcy after a default claim was paid to the lender, and the reinsurance claim was paid at only 98, 90, 88, 80, or 78 percent of principal and interest, then the complement of the reinsurance may be requested using Part C, Change in Status Supplemental Reinsurance Request. If the borrower files for bankruptcy after a default or lender-of-last-resort loan (default) claim was paid to the lender and the reinsurance claim was paid at 100 percent, no further reinsurance is due the agency, but the change in status to bankruptcy must be reported on Part I, Non-Payment Activity.

During the course of the bankruptcy proceedings, the agency must return to ED, and report to ED, any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections.

If the bankruptcy proceedings are concluded and the loan is discharged, then the agency must return to ED any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections.

If the loan is not discharged, then the guaranty agency must arrange for a lender to repurchase the loan. The loan reverts to an "in repayment" status at the lender. If the borrower does not repay the loan after the repurchase, then the loan could go into default. The guaranty agency could pay a default claim on it and file a default reinsurance claim using this Part. This assumes all applicable lender and agency policies concerning defaulted loans were followed.

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In addition to arranging the lender's repurchase of the loan, the agency must refund to ED any bankruptcy reinsurance payment it received and report it on Part D, Full Refund of Reinsurance Claims.

No bankruptcy claim is subject to a reduced reinsurance reimbursement rate.

A-4 DEATH AND DISABILITY

Enter the number and amounts related to death and to disability claims for this loan type for this reporting period. A death claim is one on which the loan is cancelled due to the borrower's death. A disability claim is one on which the loan is cancelled due to the total and permanent disability of the borrower. This includes a Federal PLUS loan for a death or disability claim paid to a lender when a student, on whose behalf a parent received the Federal PLUS loan, dies or becomes permanently disabled.

Requests for reimbursement of death and disability claims are calculated differently for loans made prior to December 15, 1968 and loans made after December 14, 1968. For loans made prior to December 15, 1968 only outstanding principal is reinsured. For loans made after December 14, 1968 the principal and interest are reinsured.

If the borrower files for death or disability after a default claim was paid to the lender, and the reinsurance claim was paid at only 98, 90, 88, 80 or 78 percent of principal and interest, then the complement of the reinsurance may be requested using Part C, Change in Status Supplemental Reinsurance Request. If the borrower files for death or disability after a default or lender-of-last-resort loan (default) claim was paid at 100 percent, no further reinsurance is due the agency, but the change in status to death and disability must be reported on Part I, Non-Payment Activity.

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There is only one entry to request reimbursement for death and disability claims. The guaranty agency must assure that the claims for loans made prior to December 15, 1968 do not include interest charges.

Death and disability claims are not subject to a reduced reinsurance reimbursement rate.

A-5 BANKRUPTCY (CHAPTER 7 & 11)

Enter the number and amounts related to Chapter 7 and 11 bankruptcy claims for this loan type for this reporting period. Chapter 7 and 11 bankruptcy claims are paid to a lender if:

- the borrower has been in repayment status over 7 years from the date on which the bankruptcy petition is filed, or
- the borrower begins an action to receive a discharge on the grounds of undue hardship.

If the borrower's loan is discharged after a default claim was paid to the lender, and the reinsurance claim was paid at only 98, 90, 88, 80, or 78 percent of principal and interest, then the guaranty agency may claim reimbursement for the complement of the reinsurance using Part C, Change in Status Supplemental Reinsurance Request. If the borrower's loan is discharged after a default or lender-of-last-resort loan (default) claim was paid to the lender and the reinsurance claim was paid at 100 percent, no further reinsurance is due the agency, but the change in status to bankruptcy must be reported on Part I, Non-Payment Activity.

The agency must return to ED any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections.

No bankruptcy claim is subject to a reduced reinsurance reimbursement rate.

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A-6 CLOSED SCHOOLS

Enter the number and amounts related to closed school claims for this loan type for this reporting period.

A closed school claim is one on which a claim is paid to a lender because the student was unable to complete the program in which the student was enrolled due to the closure of the institution.

If the borrower files a closed school claim, after a default claim was paid to the lender, and the reinsurance claim was paid at only 98, 90, 88, 80 or 78 percent of principal and interest, then the complement of the reinsurance may be requested using Part C, Change in Status Supplemental Reinsurance Request.

If the borrower files a closed school claim after a default or lender-of-last-resort loan (default) claim was paid to the lender and the reinsurance claim was paid at 100 percent, no further reinsurance is due the agency, but the change in status to closed school must be reported on Part I, Non-Payment Activity.

This is only a general description of closed school claims. Refer to the appropriate regulations and policy bulletins for specifics.

Closed school claims are not subject to a reduced reinsurance reimbursement rate.

A-7 FALSE CERTIFICATION

Enter the number and amounts related to false certification claims for this loan type for this reporting period. A false certification claim is one on which a claim is paid to a lender because the student's eligibility to borrow under the FFEL Program was falsely certified by an eligible institution of higher education.

If the borrower files a false certification claim after a default claim was paid to the lender, and the

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reinsurance claim was paid at only 98, 90, 88, 80 or 78 percent of principal and interest, then the complement of the reinsurance may be requested using Part C, Change in Status Supplemental Reinsurance Request. If the borrower files a false certification claim after a default or lender-of-last-resort loan (default) claim was paid to the lender and the reinsurance claim was paid at 100 percent, no further reinsurance is due the agency, but the change in status to false certification must be reported on Part I, Non-Payment Activity.

This is only a general description of false certification claims. Refer to the appropriate regulations and policy bulletins for specifics.

A false certification claim is not subject to a reduced reinsurance reimbursement rate.

A-8 LENDER OF LAST RESORT LOAN

Enter the number and amounts for lender-of-last-resort loan (default) claims for this reporting period. Lender-of-last-resort loans are loans made only to students who are otherwise unable to obtain loans.

A lender-of-last-resort loan (default) claim is one on which the borrower and endorser, if any, or joint borrowers on a PLUS loan, failed to make an installment payment when due, or to meet other terms of the promissory note, if the Secretary or guaranty agency finds it reasonable to conclude that the borrower or endorser, if any, no longer intend to honor the obligation to repay, provided that this failure persists for: (1) 180 days for a loan repayable in monthly installments; or (2) 240 days for a loan payable in less frequent installments.

Lender-of-last-resort loan (default) claims are always reimbursed at 100 percent of their losses, however, they are not exempt from the numerator (reimbursements made by the Secretary) of the rein-

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surance trigger rate calculation.

This is only a general description of lender-of-last-resort loan (default) claims. Refer to the appropriate regulations and policy bulletins for specifics.

Supplemental Preclaims Assistance Section

This Section is used to request reimbursement for allowable costs of supplemental preclaims assistance (SPA). SPA is assistance given to lenders by the guaranty agency to work with a delinquent borrower in order to prevent the borrower from defaulting. Refer to the appropriate sections of the HEA, regulations and policy bulletins for specifics on what constitutes SPA activities, how to calculate SPA, and permissible charges to borrowers for SPA costs. Eligibility for SPA payments depends on when a borrower's account became delinquent.

The current ED Form 1189 only allows reporting for accounts on which SPA activity was initiated on or after October 1, 1993. All previous SPA line items have been deleted. If guaranty agencies have questions regarding SPA which was initiated prior to October 1, 1993, contact ED at the address given in the Editing and Correction Section of Chapter II.

SPA that was requested on accounts that became delinquent before November 5, 1990, were subject to a reduced reinsurance reimbursement rate as part of the agency's losses on the claim. If the SPA cost reimbursement was made after payment for the reinsurance claim, it may have been paid at a reinsurance reimbursement rate different from that of the reinsurance claim. This affects the reporting of the Secretary's equitable share of collections on the claim. See the instructions for reporting refunds and collections in Parts D, E, F, H and J.

Separate pages of this Section must be submitted for either the loan type code of TA or TU and "For Month Of" combination. For this Section, the agency has the option of reporting all SPA activity under the loan type codes of TA

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and TU. It is not necessary for agencies to track SPA for the two new loan type codes.

The Supplemental Preclaims Assistance has two columns and one line item. For this Section, enter the information requested in this item in each column using the following definitions:

Column A - Number of Accounts

The total number of accounts on which SPA is being requested for the reporting period for each item. An account is one or more FFEL Program loans:

- made to the same borrower,
- held by the same lender, and
- covered by the same reporting period SPA is requested.

Example: Borrower A has four FFEL Program loans, one held by lender #1, and three held by lender #2. Borrower B has one FFEL Program loan held by lender #2. The guaranty agency performs SPA on all the loans. The number of accounts is three and is determined as follows:

<u>Account #</u>	<u>Borrower #</u>	<u>Lender #</u>	<u># of Loans</u>
1	A	1	1
2	A	2	3
3	B	2	1

Column B - Total Unpaid Principal and Accrued Interest

The sum of the amounts of the total unpaid principal and accrued interest on loans that existed as of the date the guaranty agency initiated supplemental preclaims assistance (SPA) action. This column applies only to item A-9, Accounts with No Claim Filed (SPA Initiated On/After October 1, 1993).

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**A-9 ACCOUNTS WITH NO CLAIM FILED (SPA INITIATED ON/AFTER
OCTOBER 1, 1993)**

Enter the number of those accounts:

- on which SPA was performed,
- for which a default claim was not filed by the lender on or before 150 days after the loan initially became 120 days delinquent, and
- where SPA was initiated on or after October 1, 1993.

No requests for SPA initiated on or after October 1, 1993, can be reported on the ED Form 1189 until 150 days after the loan became 120 days delinquent and a default claim was not filed by the lender. For example, if a loan is paid in full 90 days after the account became 120 days delinquent and SPA was initiated, the request for payment of SPA cannot be reported to ED until 150 days after the loan became 120 days delinquent.

A guaranty agency will receive one percent of the total unpaid principal and accrued interest that existed on a loan as of the date the lender requested supplemental preclaims assistance from the guaranty agency.

ED will calculate SPA by multiplying the amount reported in Column B by one percent.

Example #1:

Mary Jones' account totaling \$3,000.00 became delinquent and at 120 days of delinquency

(October 11, 1995) SPA was initiated. No claim was filed by March 10, 1996, which was 150 days after the 120th day of delinquency.

The earliest submission that the agency can request payment for SPA action on this account would be their ED Form 1189 "For Month Of: March 1996".

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Reporting on the ED Form 1189 would be as follows:

Line A-9, Accounts With No Claim Filed

Column A, Number	Column B - Total Unpaid Principal and Accrued Interest
---------------------	---

1	\$3,000.00
---	------------

NOTE: For Mary Jones' account, SPA reimbursement can only be requested once on the activity that started on October 11, 1995.

Example #2:

Larry Smith's account totaling \$5,000.00 became delinquent and at 120 days of delinquency (November 15, 1994) SPA was initiated. No claim was filed by April 14, 1995, which was 150 days after the 120th day of delinquency.

The earliest submission that the agency can request payment for SPA action on this account would be their ED Form 1189 "For Month Of: April 1995".

Reporting on the ED Form 1189 would be as follows:

Line A-9, Accounts With No Claim Filed

Column A, Number	Column B - Total Unpaid Principal and Accrued Interest
---------------------	---

1	\$5,000.00
---	------------

NOTE: For Larry Smith's account, SPA reimbursement can only be requested once on the activity that started on November 15, 1994.

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**V. PART B: ADDITIONAL REINSURANCE REQUEST AND LENDER
REFERRAL FEES**

This Part requests additional reinsurance for default and other FFEL Program claims paid by the guaranty agency. It is used in situations where either the lender or the guaranty agency did not receive all the payment it was legally entitled to when the claim was originally processed by the guaranty agency or by ED. This Part also includes requests for reimbursement of lender referral fees.

Enter the Guaranty Agency State Name, the Guaranty Agency Code, the Loan Type Code, the "For Month Of" date and the page numbers according to the instructions under Chapter III, Cover Page and Page Headings.

The Additional Reinsurance Request and Lender Referral Fees Part has three sections.

Additional Payment By Agency To Lender Section

This Section is used to request reimbursement of any additional payment on a claim the agency paid to a lender.

Example: The agency paid a lender \$1,000.00 on a claim and was reimbursed by reinsurance. The lender requests an additional \$50.00 on the claim. The agency verifies that the amount is due and pays the lender. The agency then requests an additional \$50.00 in reinsurance.

Separate pages of this Section must be submitted for each loan type code and "For Month Of" combination.

The Additional Payment by Agency to Lender Section has two columns and eight line items. For each of the items in this Section, enter the information requested in each column using the following definitions:

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Column A - Number of Claims

The total number of borrowers for each type of claim paid to lenders for the reporting period for which the agency made additional payments to lenders. The number of borrowers is a count within each item based on unduplicated social security numbers.

Column B - Additional Principal, Lender & GA Claim Interest Paid to Lenders

The total additional amount the agency paid to lenders for each type of claim for:

- principal,
- lender interest,
- guaranty agency claim interest,
- collection costs for closed school and false certification claims,
- allowable outstanding collection costs on rehabilitated loans that subsequently default, and
- allowable outstanding collection costs on consolidation loans that subsequently default.

It does not include amounts paid to lenders for other items such as late charges, collection costs, and attorney's fees. It also excludes non-reinsured GA interest. See the Interest Definitions Section of Chapter II, Introduction, for an explanation of the various types of interest.

B-1 DEFAULTS

Enter the number and amount for additional reinsurance for default claims for this loan type for this reporting period. A default claim is one on which the borrower and endorser, if any, or joint borrowers on a PLUS loan, failed to make an installment payment when due, or to meet other terms of the promissory note, if the Secretary or guaranty agency finds it reasonable to conclude that the borrower or

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endorser, if any, no longer intend to honor the obligation to repay, provided that this failure persists for: (1) 180 days for a loan repayable in monthly installments; or (2) 240 days for a loan payable in less frequent installments.

Also, include in this line item the number and amount for additional reinsurance for defaulted claims from loan guarantees transferred from an insolvent agency under a plan approved by the Secretary. Always consider these loans first disbursed before October 1, 1993 using the appropriate loan type code of TA or TU to ensure reimbursements, refunds and collections are calculated at 100, 90 or 80 percent.

All conditions of reinsurance coverage must be met in order for an additional claim amount paid to a lender to be eligible for reimbursement by ED.

Additional reinsurance paid on a default claim may be subject to a reduced reinsurance reimbursement rate which ED will calculate. This payment can result in multiple reinsurance reimbursement rates for a borrower with the original and the additional request each being paid at a different reimbursement rate. This would be because each is paid at the agency's reimbursement rate in effect at the time of payment.

Examples:

A request for an additional \$100.00 is made on a default claim. Reinsurance was originally paid at 100 percent, but the agency is now being reimbursed for default claims at 90 percent. The agency will be paid \$90.00, that is, 90 percent of \$100.00.

A request for an additional \$100.00 is made on a default claim for which reinsurance was paid at 90 percent. The agency is now receiving 100 percent reimbursement on default claims. The additional request will be paid at 100 percent.

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If reinsurance on a claim has been paid at two different reimbursement rates, then it will affect the reporting of the Secretary's equitable share of collections on the claim. See the instructions for reporting collections in Parts F, H and J.

Note that lender-of-last-resort loan (default) claims are entered in B-8, Lender of Last Resort Loan.

B-2 EXEMPTED CLAIMS

Enter the number and amount for additional reinsurance for exempted claims for this loan type for this reporting period. An exempted claim is one on which the borrower defaulted after the lender determined that the borrower or student failed to establish eligibility for the loan.

Exempted claims, regardless of the first disbursement date, should always be reported under the TA or TU loan type code to ensure reimbursements, refunds and collections are calculated at 100 percent.

This is only a general description of exempted claims. Refer to the appropriate regulations and policy bulletins for specifics.

Additional reinsurance paid on exempted claims is not subject to a reduced reinsurance rate.

B-3 BANKRUPTCY (CHAPTER 12 & 13)

Enter the number and amount for additional reinsurance for Chapter 12 and 13 bankruptcy claims for this loan type for this reporting period. A Chapter 12 or 13 bankruptcy claim is one on which a claim is paid to a lender when the borrower files for relief under Chapter 12 or 13 of the U.S. Bankruptcy Code.

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If the borrower files for bankruptcy after a default claim was paid to the lender, and the reinsurance claim was paid at only 98, 90, 88, 80, or 78 percent of principal and interest, then the complement of the reinsurance may be requested using Part C, Change in Status Supplemental Reinsurance Request. Do not use this Section to request this amount. If the borrower files for bankruptcy after a default or lender-of-last-resort loan (default) claim was paid to the lender and the reinsurance claim was paid at 100 percent, no further reinsurance is due the agency, but the change in status to bankruptcy must be reported on Part I, Non-Payment Activity.

During the course of the bankruptcy proceedings, the agency must return to ED, and report to ED, any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections.

If the bankruptcy proceedings are concluded and the loan is discharged, then the agency must return to ED, and report to ED, any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections.

If the loan is not discharged, then the guaranty agency must arrange for a lender to repurchase the loan. The loan reverts to an "in repayment" status at the lender. If the borrower does not repay the loan after the repurchase, then the loan could go into default. The guarantee agency could pay a default claim on it and file a default reinsurance claim using Part A, Reinsurance and Supplemental Preclaims Assistance Request. This assumes all applicable lender and agency policies concerning defaulted loans were followed.

In addition to arranging the lender's repurchase of the loan, the agency must refund to ED any additional bankruptcy reinsurance payment it received and report it on Part D, Full Refund of Reinsurance Claims.

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Additional reinsurance paid on a bankruptcy claim is not subject to a reduced reinsurance reimbursement rate.

B-4 DEATH AND DISABILITY

Enter the number and amount for additional reinsurance for death and for disability claims for this loan type for this reporting period. A death claim is one on which the loan is cancelled due to the borrower's death. A disability claim is one on which the loan is cancelled due to the total and permanent disability of the borrower. This includes a Federal PLUS loan death or disability claim paid to a lender when a student, on whose behalf a parent received the Federal PLUS loan, dies or becomes permanently disabled.

Requests for reimbursement of death and disability claims are calculated differently for loans made prior to December 15, 1968 and loans made after December 14, 1968. For loans made prior to December 15, 1968 only outstanding principal is reinsured. For loans made after December 14, 1968 the principal and interest are reinsured.

If the borrower files for death or disability after a default claim was paid to the lender, and the reinsurance claim was paid at only 98, 90, 88, 80 or 78 percent of principal and interest, then the complement of the reinsurance may be requested using Part C, Change in Status Supplemental Reinsurance Request.

If the borrower files for death or disability after a default or lender-of-last-resort loan (default) claim was paid to the lender and the reinsurance claim was paid at 100 percent, no further reinsurance is due the agency, but the change in status to death and disability must be reported in Part I, Non-Payment Activity.

There is only one line item to request additional

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reinsurance on death and disability claims in this Section. The guaranty agency must assure that additional reinsurance claims for loans made prior to December 15, 1968 do not include interest charges.

Additional reinsurance paid on death and disability claims are not subject to a reduced reinsurance rate.

B-5 BANKRUPTCY (Chapter 7 & 11)

Enter the number and amount for additional reinsurance for Chapter 7 and 11 bankruptcy claims for this loan type for this reporting period. Chapter 7 and 11 bankruptcy claims are paid to a lender if:

- the borrower has been in repayment status over 7 years from the date on which the bankruptcy petition is filed, or
- the borrower begins an action to receive a discharge on the grounds of undue hardship.

If the borrower's loan is discharged after a default claim was paid to the lender, and the reinsurance claim was paid at only 98, 90, 88, 80, or 78 percent of principal and interest, then the guaranty agency may claim reimbursement for the complement of the reinsurance using Part C, Change in Status Supplemental Reinsurance Request. Do not use this Section to request this amount. If the borrower's loan is discharged after a default or lender-of-last-resort loan (default) claim was paid to the lender and reinsurance claim was paid at 100 percent, no further reinsurance is due the agency, but the change in status to bankruptcy must be reported on Part I, Non-Payment Activity.

The agency must return to ED, and report to ED, any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections.

Additional reinsurance paid on a bankruptcy claim is not subject to a reduced reinsurance reimbursement

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rate.

B-6 CLOSED SCHOOLS

Enter the number and amount for additional reinsurance for closed school claims for this loan type for this reporting period. A closed school claim is one on which a claim is paid to a lender because the student was unable to complete the program in which the student was enrolled due to the closure of the institution.

If the borrower files a closed school claim after a default claim was paid to the lender, and the reinsurance claim was paid at only 98, 90, 88, 80 or 78 percent of principal and interest, then the complement of the reinsurance may be requested using Part C, Change in Status Supplemental Reinsurance Request.

If the borrower files a closed school claim after a default or lender-of-last-resort loan (default) claim was paid to the lender and the reinsurance claim was paid at 100 percent, no further reinsurance is due the agency, but the change in status to closed school must be reported on Part I, Non-Payment Activity.

This is only a general description of a closed school claim. Refer to the appropriate regulations and policy bulletins for specifics.

Additional reinsurance paid on a closed school claim is not subject to a reduced reinsurance reimbursement rate.

B-7 FALSE CERTIFICATION

Enter the number and amount for additional reinsurance for false certification claims for this loan for this reporting period. A false certification claim is one on which a claim is paid to a lender because the student's eligibility to borrow under the FFEL Program was falsely certified by the eligible institution of higher education.

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If the borrower files a false certification claim after a default claim was paid to the lender, and the reinsurance claim was paid at only 98, 90, 88, 80 or 78 percent of principal and interest, then the complement of the reinsurance may be requested using Part C, Change in Status Supplemental Reinsurance Request. If the borrower files for false certification after a default or lender-of-last-resort loan (default) claim was paid to the lender and the reinsurance claim was paid at 100 percent, no further reinsurance is due the agency, but the change in status to false certification must be reported on Part I, Non-Payment Activity.

This is only a general description of false certification claims. Refer to the appropriate regulations and policy bulletins for specifics.

Additional reinsurance paid on a false certification claim is not subject to a reduced reinsurance reimbursement rate.

B-8 LENDER OF LAST RESORT LOAN

Enter the number and amounts for lender-of-last-resort loan (default) claims for this reporting period. Lender-of-last-resort loans are loans made only to students who are otherwise unable to obtain loans.

A lender-of-last-resort loan (default) claim is one on which the borrower and endorser, if any, or joint borrowers on a PLUS loan, failed to make an installment payment when due, or to meet other terms of the promissory note, if the Secretary or guaranty agency finds it reasonable to conclude that the borrower or endorser, if any, no longer intend to honor the obligation to repay, provided that this failure persists for: (1) 180 days for a loan repayable in monthly installments; or (2) 240 days for a loan payable in less frequent installments.

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Additional reinsurance paid on lender-of-last-resort loan (default) claims are always reimbursed at 100 percent of their losses, however, they are not exempt from the numerator (reimbursements made by the Secretary) of the reinsurance trigger rate calculation.

This is only a general description of lender-of-last-resort loan claims. Refer to the appropriate regulations and policy bulletins for specifics.

Understated Reinsurance Claims Section

This Section is used to correct and request further payment if the guaranty agency's arithmetic or typographical errors on previously submitted reinsurance requests resulted in the agency, but not the lender, being underpaid.

In some cases, an agency may have a reason for requesting additional reinsurance that is not the result of an additional payment to the lender or an understated reinsurance claim. The request would be reported in this Section under ED's guidance.

Report amounts the agency owes ED for overbilling on reinsurance claims previously submitted in the Overstated Reinsurance Claims Section of Part E, Refunds for Overpayment and Overbilling.

Separate pages of this Section must be submitted for each loan type code and "For Month Of" combination.

The Understated Reinsurance Claims Section has two columns and eight line items. For each of the items in this Section, enter the information requested in each column using the following definitions:

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Column A - Increase In Number Of Claims Paid

The increase in the number of borrowers from that reported previously for each type of claim paid to lenders for the reporting period. The number of borrowers is a count within each item based on unduplicated social security numbers.

The increase must be reported even if the amount of reinsurance paid does not change. If an amount is reported in column B, Increase in Amounts of Reinsurance Due For Principal, Lender & GA Claim Interest, of this Section, but the original submission had the correct number of borrowers, then enter zero in this column.

If an amount is reported in column B, Increase in Amounts of Reinsurance Due For Principal, Lender & GA Claim Interest, of this Section, but the original submission overstated the number of claims (borrowers), then report the overstated number as a decrease in the Overstated Reinsurance Claims Section of Part E, Refunds for Overpayment and Overbilling.

Column B - Increase In Amounts of Reinsurance Due For Principal, Lender & GA Claim Interest

The increase in the amount of reinsurance due from that previously requested for each type of claim for:

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- principal,
- lender interest,
- guaranty agency claim interest,
- collection costs for closed school and false certification claims,
- allowable outstanding collection costs on rehabilitated loans that subsequently default,
- allowable outstanding collection costs on consolidation loans that subsequently default, and
- for closed school and false certification claims the understated amount that the agency returned to the borrower at the time the claim was paid to the lender.

It does not include amounts paid to lenders for other items such as late charges, collection costs, and attorney's fees. It also excludes non-reinsured GA interest. See the Interest Definitions Section of Chapter II, Introduction, for an explanation of the various types of interest.

If an increase is reported under column A, Increase in Number Claims Paid, of this Section, but previous submissions overstated the amount for principal, lender or guaranty agency claim interest, then report the overstated amount as a decrease in the Overstated Reinsurance Claims Section of Part E, Refunds for Overpayment and Overbilling.

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B-9 DEFAULTS

Enter the number and amount of further reinsurance being requested due to understatement of previous default claims for this loan type for this reporting period. A default claim is one on which the borrower and endorser, if any, or joint borrowers on a PLUS loan, failed to make an installment payment when due, or to meet other terms of the promissory note, if the Secretary or guaranty agency finds it reasonable to conclude that the borrower or endorser, if any, no longer intend to honor the obligation to repay, provided that this failure persists for: (1) 180 days for a loan repayable in monthly installments; or (2) 240 days for a loan payable in less frequent installments.

Also, include in line item the number and amount of further reinsurance due to understatement of previous defaulted claims from loan guarantees transferred from an insolvent agency under a plan approved by the Secretary. Always consider these loans first disbursed before October 1, 1993 using the appropriate loan type code of TA or TU.

All conditions of reinsurance coverage must be met in order to receive further reinsurance reimbursement from ED.

Further reinsurance paid due to an understated default claim may be subject to a reduced reinsurance reimbursement rate which ED will calculate. This payment can result in multiple reinsurance reimbursement rates for a borrower with the original and the further request each being paid at a different reimbursement rate. This would be because each is paid at the agency's reimbursement rate in effect at the time of payment.

Examples:

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A request for a further \$100.00 to correct the original claim request is made on a default claim. Reinsurance was originally paid at 100 percent, but the agency is now being reimbursed for default claims at 90 percent. The agency will be paid \$90.00, that is, 90 percent of \$100.00.

A request for a further \$100.00 to correct the original claim request is made on a default claim for which reinsurance was paid at 90 percent. The agency is now receiving 100 percent reimbursement on default claims. The additional request will be paid at 100 percent.

If reinsurance on a claim has been paid at two different reimbursement rates, then it will affect the reporting of the Secretary's equitable share of collections on the claim. See the instructions for reporting collections in Parts F, H and J.

B-10 EXEMPTED CLAIMS

Enter the number and amount of further reinsurance being requested due to understatement of previous exempted claims for this loan type for this reporting period. An exempted claim is one on which the borrower defaulted after the lender determined that the borrower or student failed to establish eligibility for the loan.

Exempted claims, regardless of the first disbursement date, should always be reported under the TA or TU loan type code to ensure reimbursements, refunds and collections are calculated at 100 percent.

This is only a general description of exempted claims. Refer to the appropriate regulations and policy bulletins for specifics.

Further reinsurance paid on an exempted claim due to understatement of previous claims is not subject to a reduced reinsurance rate.

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B-11 BANKRUPTCY (CHAPTER 12 & 13)

Enter the number and amount of further reinsurance being requested due to understatement of previous Chapter 12 and 13 bankruptcy claims for this loan type for this reporting period. A Chapter 12 or 13 bankruptcy claim is one on which a claim is paid to a lender when the borrower files for relief under Chapter 12 or 13 of the U.S. Bankruptcy Code.

If the borrower files for bankruptcy after a default claim was paid to the lender, and the reinsurance claim was paid at only 98, 90, 88, 80, or 78 percent of principal and interest, then the complement of the reinsurance may be requested using Part C, Change in Status Supplemental Reinsurance Request. Do not use this Section to request this amount. If the borrower files for bankruptcy after a default or lender-of-last-resort loan (default) claim was paid to the lender and the reinsurance claim was paid at 100 percent, no further reinsurance is due the agency, but the change in status to bankruptcy must be reported on Part I, Non-Payment Activity.

During the course of the bankruptcy proceedings, the agency must return to ED, and report to ED, any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections.

If the bankruptcy proceedings are concluded and the loan is discharged, then the agency must report and return to ED any amounts received, at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections.

If the loan is not discharged, then the guaranty agency must arrange for a lender to repurchase the loan. The loan reverts to an "in repayment" status at the lender. If the borrower does not repay the loan after the repurchase, then the loan could go into default. The guarantee agency could pay a

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default claim on it and file a default reinsurance claim using this Part A, Reinsurance and Supplemental Preclaims Assistance Request. This assumes all applicable lender and agency policies concerning defaulted loans were followed.

In addition to arranging the lender's repurchase of the loan, the agency must refund to ED any additional bankruptcy reinsurance payment it received and report it on Part D, Full Refund of Reinsurance Claims.

Further reinsurance paid on a bankruptcy claim due to understatement of previous claims is not subject to a reduced reinsurance reimbursement rate.

B-12 DEATH AND DISABILITY

Enter the number and amount of further reinsurance being requested due to understatement of previous death and disability claims for this loan type for this reporting period. A death claim is one on which the loan is cancelled due to the borrower's death. A disability claim is one on which the loan is cancelled due to the total and permanent disability of the borrower. This includes a Federal PLUS loan death or disability claim paid to a lender when a student, on whose behalf a parent received the Federal PLUS loan, dies or becomes permanently disabled.

Requests for reimbursement of death and disability claims are calculated differently for loans made prior to December 15, 1968 and loans made after December 14, 1968. For loans made prior to December 15, 1968 only outstanding principal is reinsured. For loans made after December 14, 1968 the principal and interest are reinsured.

There is only one entry in this Section to request further reinsurance due to understatement of previous claims for death and disability claims. The guaranty agency must assure that this request for loans made prior to December 15, 1968 does not include interest

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charges.

If the borrower claim status changes to death or disability after a default claim was paid to the lender, and the reinsurance claim was paid at only 98, 90, 88, 80 or 78 percent of principal and interest, then the complement of the reinsurance may be requested using Part C, Change in Status Supplemental Reinsurance Request. If the borrower files for death or disability after a default or lender-of-last-resort loan (default) claim was paid to the lender and the reinsurance claim was paid at 100 percent, no further reinsurance is due the agency, but the change in status to death and disability must be reported in Part I, Non-Payment Activity.

Further reinsurance paid on a death or disability claim due to understatement of previous claims is not subject to a reduced reinsurance rate.

B-13 BANKRUPTCY (Chapter 7 & 11)

Enter the number and amounts of further reinsurance being requested due to understatement of original

Chapter 7 and 11 bankruptcy claims for this loan type for this reporting period. Chapter 7 and 11 bankruptcy claims are paid to a lender if:

- the borrower has been in repayment status over 7 years from the date on which the bankruptcy petition is filed, or
- the borrower begins an action to receive a discharge on the grounds of undue hardship.

If the borrower's loan is discharged after a default claim was paid to the lender, and the reinsurance claim was paid at only 98, 90, 88, 80, or 78 percent of principal and interest, then the guaranty agency may claim reimbursement for the complement of the reinsurance using Part C, Change in Status Supplemental Reinsurance Request. If the borrower's loan is discharged after a default or lender-of-last-

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resort loan (default) claim was paid to the lender and the reinsurance claim was paid at 100 percent, no further reinsurance is due the agency, but the change in status to bankruptcy must be reported on Part I, Non-Payment Activity.

The agency must return to ED any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections.

Further reinsurance paid on a bankruptcy claim due to understatement of previous claims is not subject to a reduced reinsurance reimbursement rate.

B-14 CLOSED SCHOOLS

Enter the number and amount of further reinsurance being requested due to understatement of previous closed school claims for this loan type for this reporting period. A closed school claim is one on which a claim is paid to a lender because the student was unable to complete the program in which the student was enrolled due to the closure of the institution.

If the borrower files a closed school claim after a default claim was paid to the lender, and the reinsurance claim was paid at only 98, 90, 88, 80 or 78 percent of principal and interest, then the complement of the reinsurance may be requested using Part C, Change in Status Supplemental Reinsurance Request.

If the borrower files a closed school claim after a default or lender-of-last-resort loan (default) claim was paid to the lender and the reinsurance claim was paid at 100 percent, no further reinsurance is due the agency, but the change in status to closed school must be reported on Part I, Non-Payment Activity.

This is only a general description of closed school claims. Refer to the appropriate regulations and policy bulletins for specifics.

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Further reinsurance paid on a closed school claim due to understatement of previous claims is not subject to a reduced reinsurance rate.

B-15 FALSE CERTIFICATION

Enter the number and amount of further reinsurance being requested due to understatement of previous false certification claims for this loan type for this reporting period. A false certification claim is one on which a claim is paid to a lender because the student's eligibility to borrow under the FFEL Program was falsely certified by an eligible institution of higher education.

If the borrower files a false certification claim after a default claim was paid to the lender, and the reinsurance claim was paid at only 98, 90, 88, 80 or 78 percent of principal and interest, then the complement of the reinsurance may be requested using Part C, Change in Status Supplemental Reinsurance Request. If the borrower files for false certification after a default or lender-of-last-resort loan (default) claim was paid to the lender and the reinsurance claim was paid at 100 percent, no further reinsurance is due the agency, but the change in status to false certification must be reported on Part I, Non-Payment Activity.

This is only a general description of false certification claims. Refer to the appropriate regulations and policy bulletins for specifics.

Further reinsurance paid on a false certification claim due to understatement of previous claims is not subject to a reduced reinsurance rate.

B-16 LENDER OF LAST RESORT LOAN

Enter the number and amounts of further reinsurance being requested due to understatement of previous lender-of-last-resort loan (default) claims for

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this reporting period. Lender-of-last-resort loans are loans made only to students who are otherwise unable to obtain loans.

A lender-of-last-resort loan (default) claim is one on which the borrower and endorser, if any, or joint borrowers on a PLUS loan, failed to make an installment payment when due, or to meet other terms of the promissory note, if the Secretary or guaranty agency finds it reasonable to conclude that the borrower or endorser, if any, no longer intend to honor the obligation to repay, provided that this failure persists for: (1) 180 days for a loan repayable in monthly installments; or (2) 240 days for a loan payable in less frequent installments.

Further reinsurance paid on lender-of-last-resort loan (default) claims due to understatement of previous claims are always reimbursed at 100 percent of their losses, however they are not exempt from the numerator (reimbursement made by the Secretary) of the reinsurance trigger rate calculation.

Lender Referral Fee Section

This Section is used to request reimbursement for fees paid to a lender to provide lender referral services for a student who:

- is either a resident of, or is accepted for enrollment in, or is attending, an eligible institution located in a geographic area for which the Secretary determines that loans are not available to all eligible students, or
- has sought, and was unable to find a lender willing to make a FFEL program loan.

The Secretary shall pay a lender referral fee to each guaranty agency with whom the Secretary has a lender referral agreement, in an amount equal to 1/2 of one percent of the principal amount of a loan made as a result of the agency's referral service.

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Refer to the appropriate Sections of the HEA, regulations and policy bulletins for specifics on what constitutes lender referral services.

Column A - Number of Loans

The total number of loans on which lender referral services were provided.

Column B - Principal Amount of Loans

The total principal amount of loans for which lender referral services were provided.

B-17 LENDER REFERRAL FEE

Enter the number of loans and the principal amount of loans on which lender referral services were provided for this loan type for this reporting period.

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VI. PART C: CHANGE IN STATUS SUPPLEMENTAL REINSURANCE REQUEST

This Part requests supplemental reinsurance for default claims which were originally paid at a reduced reinsurance rate but which are now eligible for full payment because the borrower's claim status has changed.

Prior to October 12, 1976, ED reimbursed a guaranty agency on default claims at 80 percent of principal only. The reinsurance provisions in the law were changed and subsequently a guaranty agency became eligible to receive reimbursement of up to 100 percent of its losses of principal, lender interest and guaranty agency claim interest on default claims. The agency would be paid for only 90 percent or 80 percent of its losses if its defaults exceeded certain percentages (called "trigger figures") established by law.

On loans first disbursed on or after October 1, 1993, a guaranty agency will no longer receive 100 percent of their losses. An agency will be reimbursed 98 percent of its losses of principal, lender interest and guaranty agency claim interest on default claims. An agency will be paid for only 88 or 78 percent of its losses if its defaults exceed its "trigger figures."

Though a guaranty agency may be paid at a reduced reinsurance rate on a default claim, the agency is entitled to receive reimbursement for 100 percent of principal, lender interest and guaranty agency claim interest on the following types of claims:

- death or disability,
- bankruptcy (Chapter 12 & 13),
- bankruptcy (Chapter 7 & 11),
- closed school, and
- false certification.

If a guaranty agency pays a default claim for which it receives less than 100 percent reinsurance, and the status of the borrower claim then changes to one of those listed

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above, then the guaranty agency can recoup the rest of its losses from ED. In order to determine what those losses are, the guaranty agency must report in this Part the amounts that have not been previously reimbursed by ED and are still outstanding.

Example:

The guaranty agency files a default reinsurance claim for \$1,000 for a loan first disbursed on or after October 1, 1993. The reinsurance request is for the amount of the claim paid to the lender which is the "loss" the agency incurred. The guaranty agency is paid 98 percent of its request or \$980. This is the amount of the agency's loss. The agency has not reached the trigger for default reinsurance payments for the current fiscal year and is eligible for 98 percent reinsurance on its losses, for a total of \$980.00. The borrower becomes totally and permanently disabled the following year. The guaranty agency may now use this Part to request payment of the \$20 (the 2 percent not paid on reinsurance).

Reinsurance default claims paid at 100 percent and lender-of-last-resort loan (default) claims are not eligible for supplemental reinsurance if the borrower's claim status changes because there is no loss for the agency to recoup.

However, such status changes must be reported to ED on Part I, Non-Payment Activity, of this Form. The Change in Status for Default and Lender-of-Last-Resort Loan Claims Paid at 100% of Part I is similar to the Original Reinsurance Paid for 98%, 90%, 88%, 80% or 78% of Principal and Interest of this Part.

Part C does not apply to exempted claims. If the guaranty agency wishes to request payment of supplemental reinsurance for a default claim whose status was changed to an exempted claim, then it should contact ED at the address given in the Editing and Correction Section of Chapter II, Introduction.

The information in this Part must be reported depending on

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whether reimbursement for the default claim was for:

- 98 percent of principal and interest for loans first disbursed on or after October 1, 1993,
- 90, 88, 80 or 78 percent of principal and interest as a result of the guaranty agency reaching its "trigger figure", or
- 80 percent of principal only (claims paid prior to the later of: October 12, 1976, or the date the guaranty agency signed a supplemental reinsurance agreement with ED).

Enter the Guaranty Agency State Name, the Guaranty Agency Code, the Loan Type Code, the "For Month Of" date and the page numbers according to the instructions under Chapter III, Cover Page and Page Headings.

Original Reinsurance Paid for 98%, 90%, 88%, 80% or 78% of Principal and Interest Section

This Section is used to report original default reinsurance claims which were paid at 98, 90, 88, 80 or 78 percent of the agency's losses for principal and interest. This Section also includes claims paid prior to the later of: October 12, 1976, or the date the guaranty agency signed a supplemental reinsurance agreement with ED.

Separate pages of this Section must be submitted for each loan type code and "For Month Of" combination.

The Original Reinsurance Paid for 98%, 90%, 88%, 80% or 78% of Principal and Interest Section has six columns and five line items. For each of the items in this Section, enter the information requested in each column using the following definitions:

Column A - Number of Claims

The total number of borrowers for each type of claim for the reporting period for which supplemental reinsurance is requested. The number of borrowers is a count within each item based on unduplicated social security numbers.

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Column B - Additional Unpaid Principal

For each type of claim for the reporting period enter the principal portion of the claim that the guaranty agency paid to the lender that was not reimbursed by ED and is still outstanding at the time this supplemental reinsurance request is submitted to ED.

- For claims which were paid at 80 percent for principal only the unpaid principal would be 20 percent. (These claims were paid prior to October 12, 1976, or the date the guaranty agency signed a supplemental reinsurance agreement with ED, whichever is later).
- For loans first disbursed before October 1, 1993, the unpaid principal would be 10 or 20 percent.
- For loans first disbursed on or after October 1, 1993, the unpaid principal would be 2, 12 or 22 percent.

This does not include any interest. Report interest in the other columns of this Section as explained for Column C.

Column C - Unpaid Interest After Date of Reinsurance Payment

The amount of interest which has accrued on the unreimbursed percent of the principal reported in Column A:

For death, disability and bankruptcy claims, from the date the Secretary paid the default claim through the earlier of --

- the date the agency submits the Change in Status Supplemental Reinsurance Request, or
 - 60 days after the date the guaranty agency determines that the claim is eligible for supplemental reinsurance.
- For closed school and false certification claims --
- from the date the guaranty agency received the default claim payment to the date on which the Secretary authorized payment.

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Include only that portion of the interest which is still outstanding (that is, collections have not been received from the borrower on it) at the time this supplemental reinsurance request is submitted to ED.

In the case where the agency submits its death, disability or bankruptcy supplemental reinsurance request less than 60 days after the claim became eligible for the request, then the agency will be unable to calculate the total amount of accrued interest due. For closed school and false certification supplemental reinsurance claims, the agency will be unable to calculate the total amount of accrued interest due until the date the Secretary authorized payment. Therefore, the agency may calculate the amount of interest that accrued through the date the agency files the supplemental reinsurance request and report it here in Column C. After the agency has received payment from ED for the claim, the agency may calculate the additional interest that has accrued and claim the payment for this interest only in this column, Column C, in a later month's submission of an ED Form 1189.

**Column D - Account Balance at Conversion of Principal,
Purchased Interest & Pre-11/90 SPA**

The balance of the original default claim which is still outstanding (that is, collections have not been received from the borrower on it) at the time this supplemental reinsurance request is submitted to ED, for each type of claim for the reporting period for:

- principal,
- purchased interest (lender interest, guaranty agency claim interest and non-reinsured GA interest), and
- supplemental preclaims assistance (SPA) charges which were reimbursed by ED at a reduced reinsurance rate as part of the agency's losses on the claim for loans which became delinquent before November 5, 1990.

See the Interest Definitions Section of Chapter II, Introduction, for an explanation of the various types of inter-

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est. See the Supplemental Preclaims Assistance Section of Part A, Reinsurance and Supplemental Preclaims Assistance Request, for a further description of SPA.

Column E - Account Balance at Conversion Of Accrued Interest

The balance for accrued interest which is still outstanding (that is, collections have not been received from the borrower on it) at the time this supplemental reinsurance request is submitted to ED, for each type of claim for the reporting period. See the Interest Definitions Section of Chapter II, Introduction, for an explanation of accrued and other types of interest.

Column F - Account Balance At Conversion of Other Charges

The balance for other charges which is still outstanding (that is, collections have not been received from the borrower on it) at the time this supplemental reinsurance request is submitted to ED, for each type of claim for the reporting period. Other charges include amounts for items such as late charges, collection costs, and attorney's fees.

The information requested in Columns D, E and F -- concerning the account balance at the time the default claim is converted to another type of claim -- is needed in order to adjust ED's accounting records.

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C-1 DEATH OR DISABILITY

Enter the number and amounts for default claims for which supplemental reinsurance is being requested after a default claim was paid at 98, 90, 88, 80 or 78 percent of principal and interest due to the change in status of the default claim to death or disability. A death claim is one on which the loan is cancelled due to the borrower's death. A disability claim is one on which the loan is cancelled due to the total and permanent disability of the borrower. This includes a Federal PLUS loan death or disability claim paid to a lender when a student, on whose behalf a parent received the Federal PLUS loan, dies or becomes permanently disabled.

Requests for supplemental reinsurance for death and disability claims are calculated differently for loans made prior to December 15, 1968 and loans made after December 14, 1968. For loans made prior to December 15, 1968 only outstanding principal is reinsured. For loans made after December 14, 1968 the principal and interest are reinsured.

There is only one entry in this Section to request supplemental reinsurance for death and disability claims. The guaranty agency must assure that this request for loans made prior to December 15, 1968 does not include interest charges.

If the claim was originally paid as a death or disability claim, but either the lender or the guaranty agency did not receive all the payment it was legally entitled to when the claim was originally processed, then additional reinsurance may be requested using Part B, Additional Reinsurance Request. Do not use this Section to request this amount.

C-2 BANKRUPTCY (CHAPTER 12 & 13)

Enter the number and amounts for default claims for

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which supplemental reinsurance is being requested due to the change in status of the default claim to a Chapter 12 or 13 bankruptcy. Chapter 12 or 13 bankruptcy claims are claims paid to a lender when a borrower files for relief under Chapter 12 or 13 of the U.S. Bankruptcy Code.

If the borrower files for bankruptcy after a default claim was paid to the lender, and the reinsurance claim was paid at only 98, 90, 88, 80 or 78 percent of principal and interest, then the complement of the reinsurance should be requested in this Part.

Use column C, Unpaid Interest After Date of Reinsurance Payment, of this item to request supplemental reinsurance for previously unreported interest which accrued on the claim after payment was made to the lender.

If the claim was originally paid as a bankruptcy, but either the lender or the guaranty agency did not receive all the payment it was legally entitled to when the claim was originally processed, then additional reinsurance may be requested using Part B, Additional Reinsurance Request. Do not use this Section to request this amount.

During the course of the bankruptcy proceedings, the agency must return to ED, and report to ED, any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections.

If the bankruptcy proceedings are concluded and the loan is discharged, then the agency must report and return to ED any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections.

If the bankruptcy proceedings are concluded and the loan is not discharged, then the agency must refund to ED any additional bankruptcy reinsurance payment it received and report it on Part E, Refunds for

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Overpayment and Overbilling. The guaranty agency would continue to hold the loan and attempt to collect on it like any other default claim. The amount of the loan must also be reported on Part I, Non-Payment Activity to show the change of status back from bankruptcy to default status.

C-3 BANKRUPTCY (Chapter 7 & 11)

Enter the number and amounts for default claims for which supplemental reinsurance is being requested due to change in status of the default claim to a Chapter 7 or 11 bankruptcy. A Chapter 7 and 11 bankruptcy claim is one on which a claim is paid to a lender if:

- the borrower has been in repayment status over 7 years from the date on which the bankruptcy petition is filed, or
- the borrower begins an action to receive a discharge on the grounds of undue hardship.

If the borrower's loan is discharged after a default claim was paid to the lender, and the reinsurance claim was paid at only 98, 90, 88, 80, or 78 percent of principal and interest, then the guaranty agency may claim reimbursement for the complement of the reinsurance should be requested in this Part.

Use Part C, Unpaid Interest After Date of Reinsurance Payment, of this item to request supplemental

reinsurance for previously unreported interest which accrued on the claim after payment was made to the lender.

If the claim was originally paid as a bankruptcy, but either the lender or the guaranty agency did not receive all the payment it was legally entitled to when the claim was originally processed, then additional reinsurance may be requested using Part B, Additional Reinsurance Request. Do not use this

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Section to request this amount.

The agency must report and return to ED any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections.

C-4 CLOSED SCHOOLS

Enter the number and amounts for default claims for which supplemental reinsurance is being requested after a default claim was paid at 98, 90, 88, 80 or 78 percent of principal and interest due to the change in status of the default claim to a closed school claim. A closed school claim is one on which a claim is paid to a lender because the student was unable to complete the program in which the student was enrolled due to the closure of the institution.

If the claim was originally paid as a closed school claim, but either the lender or the guaranty agency did not receive all the payment it was legally entitled to when the claim was originally processed, then additional reinsurance may be requested using Part B, Additional Reinsurance Request. Do not use this Section to request this amount.

This is only a general description of closed school claims. Refer to the appropriate regulations and policy bulletins for specifics.

C-5 FALSE CERTIFICATION

Enter the number and amounts for default claims for which supplemental reinsurance is being requested after a default claim was paid at 98, 90, 88, 80, or 78 percent due to the change in status of the default claim to a false certification claim. A false certification claim is one on which a claim is paid to a lender because the student's eligibility to borrow under the FFEL Program was falsely certified by an eligible institution of higher education.

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If the claim was originally paid as a false certification claim, but either the lender or the guaranty agency did not receive all the payment it was legally entitled to when the claim was originally processed, then additional reinsurance may be requested using Part B, Additional Reinsurance Request. Do not use this Section to request this amount.

This is only a general description of false certification claims. Refer to the appropriate regulations and policy bulletins for specifics.

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VII. PART D: FULL REFUND OF REINSURANCE CLAIMS

This Part is used to refund to ED ("repurchase") the amount paid a guaranty agency on a reinsurance claim because the reinsurance claim was not valid. In conjunction with this, the insurance claim the guaranty agency paid the lender may not be valid, and the lender may be required to refund the insurance claim to the guaranty agency. This Part is also used to refund a bankruptcy reinsurance claim where the loan was not discharged by the Bankruptcy Court.

Examples:

A borrower goes to study in a foreign country, but the borrower's request for an in-school deferment is misplaced. The lender cannot locate the borrower and believes the loan should be in repayment. The lender files a default claim. The guaranty agency pays the claim and receives reinsurance from ED. The agency finally locates the borrower and determines that the borrower should not have been placed in default. The guaranty agency arranges for the lender to repurchase the loan. The agency then provides a full refund of the default reinsurance claim to ED.

The guaranty agency files a reinsurance claim for bankruptcy (Chapter 12 or 13) with ED and is paid. The guaranty agency then receives a notice from the Bankruptcy Court informing the agency that bankruptcy proceedings have been concluded and that the loan was not discharged. The guaranty agency must arrange for the lender to repurchase the loan and provide a full refund of the bankruptcy reinsurance claim to ED. The lender must place the borrower back in repayment, though the borrower could then default on the loan.

A guaranty agency must file for a refund if it determines that it made an invalid reinsurance claim. An agency must also file for a refund on any bankruptcy claim where the bankruptcy proceedings were concluded and the loan was not discharged by the Bankruptcy Court. For example the borrower does not comply with the requirements of the Wage

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Earned Plan and the Bankruptcy Court dismisses the case.

A guaranty agency must file for a full refund of reinsurance to ED within 45 days of receiving:

- a refund from a lender for an insurance claim the agency paid to the lender,
- a notice from the Bankruptcy Court informing the agency that bankruptcy proceedings have been concluded and that a loan on which ED paid a bankruptcy reinsurance claim was not discharged, and
- in all other cases where a full refund of reinsurance is due to ED.

Full refunds of default claims are refunds to ED of the full amount of the default reinsurance, including any related supplemental preclaims assistance (SPA) payments made by ED. Refunds are reduced by borrower payments forwarded to ED. If a default reinsurance claim was paid to the guaranty agency at a reduced reinsurance rate, the refund to ED must be made at that rate.

Example: A guaranty agency files a default claim for \$1,000 for principal and interest from ED. The agency is reimbursed at only 80 percent of this amount, or \$800. The guaranty agency receives one payment from the borrower for \$100 (for this example, the complete collection was applied to principal). The agency forwards ED's share of the collection to ED. The lender then repurchases the loan from the guaranty agency, and the agency repurchases the loan from ED. The repurchase, as it affects receivables, is calculated at the various account levels as follows:

<u>Item</u>	<u>Amount</u>
Lender/Borrower Account:	
Original claim	\$1,000
<u>less collection from borrower</u>	<u>(100)</u>
Lender repurchase from agency	900

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<u>Item</u>	<u>Amount</u>
Guaranty Agency Account:	
Complement of reinsurance not paid by ED	\$200
less complement of collection from borrower	(20)
Agency's share of the full refund	180
ED's Account:	
Actual reinsurance paid by ED	\$800
less collection from borrower submitted by agency*	(80)
Full refund amount paid to ED	720

*Note: Though ED's share of the collection from the borrower is \$80 (out of the \$100 paid), another 27 percent (that is, \$27) goes to the guaranty agency for collection costs. Therefore, ED actually receives only \$53 from this collection activity, not \$80, and the agency actually receives \$47, not \$20. Exclude collection cost retention from the full refund calculation.

If ED reimbursed the guaranty agency for SPA charges on a default reinsurance claim which is being refunded to ED, and the defaulted loan became delinquent before November 5, 1990, then the SPA charges which were reimbursed must be included in the full refund. Refer to the Supplemental Preclaims Assistance Section of Part A, Reinsurance and Supplemental Preclaims Assistance Request, for a further description of SPA.

Refunds based on a change in claim status are reported in Part E, Refunds for Overpayment and Overbilling.

Example: A guaranty agency receives reinsurance on a default claim at a reduced reinsurance rate using Part A, Reinsurance and Supplemental Preclaims

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Assistance Request. It then files a supplemental reinsurance request due to the change in status of the claim to bankruptcy (Chapter 12 or 13) using Part C, Change in Status Supplemental Reinsurance Request. The bankruptcy proceedings are concluded and the loan is not discharged. The agency must refund the amount of the supplemental reinsurance paid, not the amount originally paid plus the supplemental request. It would refund this amount using Part E of this form.

However, if a full refund is being made, then it is based on the current, not the original reinsurance claim status.

Example: The guaranty agency receives reinsurance on a default claim at a reduced reinsurance rate using Part A, Reinsurance and Supplemental Preclaims Assistance Request. It then files a supplemental reinsurance request due to the change in status of the claim to bankruptcy (Chapter 12 or 13) using Part C, Change in Status Supplemental Reinsurance Request. As a result of information provided during the bankruptcy proceedings, the agency determines that the original default claim should never have been filed. The loan is not discharged by the Bankruptcy Court. The guaranty agency requires the lender to repurchase the loan, and the guaranty agency refunds to ED the full amount of the reinsurance paid as a bankruptcy (Chapter 12 or 13), not just the amount paid at the reduced rate on the original default claim.

The effect of a full refund of a default claim on a guaranty agency's "trigger figure" depends upon whether the agency has a repurchase agreement with ED:

- If a guaranty agency has a repurchase agreement:
 - ED reduces the total of default claims paid which are subject to the reinsurance trigger by the amount of the refund. This rule applies if the refund is for a

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reinsurance default claim or lender-of-last-resort loan (default) claim paid during the current federal fiscal year. Once the guaranty agency has exceeded its trigger for the current federal fiscal year, subsequent full refunds do not affect the trigger calculation. Instead, the refund amount is credited against default claims paid to the guaranty agency in the following federal fiscal year.

- A full refund of a reinsurance default claim or lender-of-last-resort loan (default) claim paid during a previous federal fiscal year does not affect any trigger calculations.
 - If the full refund of a default claim or lender-of-last-resort loan (default) claim is made to ED more than 30 days after the guaranty agency received the reinsurance payment, then the agency must pay ED interest on the repurchased loan. The interest rate is the rate specified on the borrower's promissory note. Report the unpaid interest from the date the reinsurance payment was made until the date the refund is reported to ED.
 - A repurchase agreement covers default claims and lender-of last resort loan claims. It does not apply to exempted, bankruptcy, death and disability, closed school, or false certification claims because these claims do not affect a guaranty agency's trigger figure.
- If a guaranty agency does not have a repurchase agreement:
 - A full refund has no effect on the agency's reinsurance trigger calculation.
 - A guaranty agency is not required to pay interest on full refunds, except for that interest paid by ED as part of the reinsurance claim.

See the Reinsurance, Trigger Figure, and Collections Section of Chapter II, Introduction for a further explanation of the trigger figure.

Enter the Guaranty Agency State Name, the Guaranty Agency

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Code, the Loan Type Code, the "For Month Of" date and the page numbers according to the instructions under Chapter III, Cover Page and Page Headings.

The Full Refund of Reinsurance Claims Part has four columns and two sections. The columns are the same for each section. Each section has eight line items and the items are the same for each section. The purpose of the two sections is to enable ED to properly process the refunds of guaranty agencies which have repurchase agreements with ED and for ED's accounting procedures. Repurchase agreements provide for different treatment of reinsurance claims paid in a current fiscal year and in prior fiscal years.

For the items in Part D, enter the information requested in each column, for the claims included in the reporting period, using the following definitions:

Column A - Number of Claims

The total number of borrowers for each type of claim for the reporting period for which the guaranty agency is making a full refund of reinsurance. The number of borrowers is a count within each item based on unduplicated social security numbers.

Column B - Outstanding Principal Net of Any Complement

The outstanding principal amount net of any complement for each type of claim for:

- principal,
- lender interest,
- guaranty agency claim interest,
- collection costs for closed school and false certification claims,
- allowable outstanding collection costs on rehabilitated loans that subsequently default,
- allowable outstanding collection costs on consolidation loans that subsequently default, and
- for closed school and false certification claims the

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amount of collections the agency returned to the borrower at the time the claim was paid to the lender.

It does not include amounts paid to lenders for other items such as late charges, collection costs, and attorney's fees. It also excludes non-reinsured GA interest. See the Interest Definitions Section of Chapter II, Introduction, for an explanation of the various types of interest.

For a default or exempted claim, this includes any reimbursement for SPA charges where the defaulted loan became delinquent before November 5, 1990.

For closed school and false certification claims, outstanding principal also includes any collection costs paid by ED.

Column C - Outstanding Accrued Interest Due ED

The amount of outstanding accrued interest due ED on default and lender-of-last-resort loan (default) claims calculated at the rate specified on each defaulted borrower's promissory note. This column applies only if:

- it is a default or lender-of-last-resort loan (default) claim,
- the guaranty agency has a repurchase agreement with ED, and
- the refund is made over 30 days after the reinsurance payment.

The unpaid interest due ED is calculated from the date the original reinsurance payment was paid until the date the refund is reported to ED.

Interest need not be paid on a default claim or lender-of-last-resort loan (default) claim which are refunded within 30 days of the date reinsurance was paid. If no interest is due on any of the default claims or lender-of-last-resort loan (default) claims being refunded, enter a zero in this column.

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If the agency does not have a repurchase agreement with ED enter zero in this column.

No entries are permitted in this column for exempted, bankruptcies (Chapters 7, 11, 12 or 13), death, disability, closed school, or false certification claims.

The total refund due ED for any line item is the:

- Outstanding Principal Net of Any Complement (Column B) plus
- Outstanding Accrued Interest Due ED (Column C, if applicable).

Column D - Outstanding Non-Reinsured GA Interest

The amount of outstanding non-reinsured GA interest is the outstanding amount as calculated by the guaranty agency on the loan principal while a lender's insurance claim is being processed by the guaranty agency, but which was not eligible for reinsurance from ED.

Though this interest must be paid to the lender by the guaranty agency as part of an insurance claim, it is not subject to reinsurance by ED. However, the Secretary of Education is entitled to an equitable share of any of this interest collected from a borrower.

For each line item in both sections of this Part, enter the information described below in the Reinsurance Claims Paid in Current Fiscal Year Section.

Reinsurance Claims Paid in Current Fiscal Year Section

Enter the information for reinsurance claims paid in the current fiscal year for each item in accordance with the following instructions:

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D-1 DEFAULTS

Enter the number and amounts related to default claims being refunded in full for which reinsurance was paid during the current fiscal year for this loan type for this reporting period. A default claim is one on which the borrower and endorser, if any, or joint borrowers on a PLUS loan, failed to make an installment payment when due, or to meet other terms of the promissory note, if the Secretary or guaranty agency finds it reasonable to conclude that the borrower or endorser, if any, no longer intend to honor the obligation to repay, provided that this failure persists for: (1) 180 days for a loan repayable in monthly installments; or (2) 240 days for a loan payable in less frequent installments.

Also, include in this line item any full refunds of defaulted claims for loan guarantees transferred from an insolvent agency under a plan approved by the Secretary. Always consider these loans first disbursed before October 1, 1993 using the appropriate loan type code of TA or TU.

D-2 EXEMPTED CLAIMS

Enter the number and amounts related to exempted claims being refunded in full for which reinsurance was paid during the current fiscal year for this loan type for this reporting period. An exempted claim is one on which the borrower defaulted after the lender determined that the borrower or student failed to establish eligibility for the loan.

Exempted claims, regardless of the first disbursement, should always be reported under the TA or TU loan type code to ensure reimbursements, refunds, and collections are calculated at 100 percent.

This is only a general description of exempted claims. Refer to the appropriate regulations and

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policy bulletins for specifics.

Column C, Outstanding Accrued Interest Due ED, does not apply to this item, so no entry is permitted.

D-3 BANKRUPTCY (CHAPTER 12 & 13)

Enter the number and amounts related to Chapter 12 and 13 bankruptcy claims being refunded in full for which reinsurance was paid during the current fiscal year for this loan type for this reporting period. Chapter 12 or 13 bankruptcy claims are claims paid to a lender when a borrower filed for relief under Chapter 12 or 13 of the U.S. Bankruptcy Code. During the course of the bankruptcy proceedings, the agency must report and return to ED, any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections. These amounts are not refunds.

If the bankruptcy proceedings are concluded and the loan is discharged, then the agency must report and return to ED, any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections. These amounts are not refunds.

If the bankruptcy proceedings are concluded and the loan is not discharged, then the agency must refund in full the outstanding amount of the reinsurance bankruptcy payment it received from ED using this Part. The guaranty agency also must arrange for a lender to repurchase the loan. The loan reverts to an "in repayment" status at the lender. If the borrower does not repay the loan after the repurchase, then the loan could go into default. The guarantee agency could pay a default claim on it and file a default reinsurance claim using Part A, Reinsurance and Supplemental Preclaims Assistance Request. This assumes all applicable lender and agency policies concerning defaulted loans were followed.

If:

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- the bankruptcy proceedings are concluded and the loan is not discharged,
- the borrower filed for bankruptcy after a default or lender-of-last-resort loan (default) claim was paid to the lender,
- the reinsurance claim was paid at only 98, 90, 88, 80, or 78 percent of principal and interest, and
- the complement of the reinsurance was paid under Part C, Change in Status Supplemental Reinsurance Request;

then the agency must refund to ED any additional bankruptcy reinsurance payment it received and report it on Part E, Refunds for Overpayment and Overbilling, not in this Part. The guaranty agency would continue to hold the loan and attempt to collect on it like any other default claim.

Column C, Outstanding Accrued Interest Due ED, does not apply to this item, so no entry is permitted.

D-4 DEATH AND DISABILITY

Enter the number and amounts related to death and to disability claims being refunded in full for which reinsurance was paid during the current fiscal year for this loan type for this reporting period. A death claim is one on which the loan is cancelled due to the borrower's death. A disability claim is one on which the loan is cancelled due to the total and permanent disability of the borrower. This includes a Federal PLUS loan death or disability claim paid to a lender when a student, on whose behalf a parent received the Federal PLUS loan, dies or becomes permanently disabled.

Requests for reimbursement of death and disability claims are calculated differently for loans made prior to December 15, 1968 and loans made after December 14, 1968. For loans made prior to December 15, 1968 only outstanding principal is reinsured.

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For loans made after December 14, 1968 the principal and interest are reinsured.

There is only one entry to request reimbursement for both types of death and disability claims. The guaranty agency must assure that the refunds for loans made prior to December 15, 1968 do not include interest charges.

Column C, Outstanding Accrued Interest Due ED, does not apply to this item, so no entry is permitted.

D-5 BANKRUPTCY (CHAPTER 7 & 11)

Enter the number and amounts related to Chapter 7 and 11 bankruptcy claims being refunded in full for which reinsurance was paid during the current fiscal year for this loan type for this reporting period. A Chapter 7 or 11 bankruptcy claim is one on which a claim is paid to a lender because:

- the borrower has been in repayment status over 7 years from the date on which the bankruptcy petition is filed, or
- the borrower begins an action to receive a discharge on the grounds of undue hardship.

The agency must report and return to ED any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections. These amounts are not refunds.

Column C, Outstanding Accrued Interest Due ED, does not apply to this item, so no entry is permitted.

D-6 CLOSED SCHOOLS

Enter the number and amounts related to closed school claims being refunded in full for which reinsurance was paid during the current fiscal year for this loan type for this reporting period. A closed school claim is one on which a claim is paid to a lender

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because the student was unable to complete the program in which the student was enrolled due to the closure of the institution.

This is only a general description of closed school claims. Refer to the appropriate regulations and policy bulletins for specifics.

A closed school claim is not subject to a reduced reinsurance reimbursement rate.

Column C, Outstanding Accrued Interest Due ED, does not apply to this item, so no entry is permitted.

D-7 FALSE CERTIFICATION

Enter the number and amounts related to false certification claims being refunded in full for which reinsurance was paid during the current fiscal year for this loan type for this reporting period. A false certification claim is one on which a claim is paid to a lender because the student's eligibility to borrow under the FFEL Program was falsely certified by an eligible institution of higher education.

This is only a general description of false certification claims. Refer to the appropriate regulations and policy bulletins for specifics.

A false certification claim is not subject to a reduced reinsurance reimbursement rate.

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Column C, Outstanding Accrued Interest Due ED, does not apply to this item, so no entry is permitted.

D-8 LENDER OF LAST RESORT LOANS

Enter the number and amounts related to lender-of-last-resort loan (default) claims being refunded in full for which reinsurance was paid during the current fiscal year for this loan type for this reporting period. Lender-of-last-resort loans are loans made only to students who are otherwise unable to obtain loans.

A lender-of-last-resort loan (default) claim is one on which the borrower and endorser, if any, or joint borrowers on a PLUS loan, failed to make an installment payment when due, or to meet other terms of the promissory note, if the Secretary or guaranty agency finds it reasonable to conclude that the borrower or endorser, if any, no longer intend to honor the obligation to repay, provided that this failure persists for: (1) 180 days for a loan repayable in monthly installments; or (2) 240 days for a loan payable in less frequent installments.

This is only a general description of lender-of-last-resort loan (default) claims. Refer to the appropriate regulations and policy bulletins for specifics.

A lender-of-last-resort loan (default) claim is not subject to a reduced reinsurance reimbursement rate.

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Reinsurance Claims Paid in Previous Fiscal Year Section

Enter the information for reinsurance claims paid in all previous fiscal years in items D-9 through D-16. Use the instructions for the line items with the same title from the Reinsurance Claims Paid in Current Fiscal Year Section, taking into account that this Section covers only reinsurance paid in previous fiscal years. The items in this Section are:

- D-9, Defaults
- D-10, Exempted Claims
- D-11, Bankruptcy (Chapter 12 & 13)
- D-12, Death and Disability
- D-13, Bankruptcy (Chapter 7 & 11)
- D-14, Closed Schools,
- D-15, False Certification, and
- D-16, Lender of Last Resort Loan

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VIII. PART E: REFUNDS FOR OVERPAYMENT AND OVERBILLING

This Part is used to refund to ED ("repurchase") partial amounts paid a guaranty agency on a reinsurance claim because the reinsurance claim was not valid. It is used in situations where either the lender or the guaranty agency received a payment which was greater than what it was legally entitled to when the claim was originally processed by the guaranty agency or by ED. This Part is also used to refund to ED partial amounts paid the agency on supplemental reinsurance requests due to a further change in claim status.

A guaranty agency must file for a partial refund of reinsurance to ED within 45 days of receiving:

- a refund from a lender for an insurance claim the agency paid to the lender, or
- in all other cases where a partial refund of reinsurance is due to ED, information indicating a partial refund must be made.

Refunds must be reported according to the month and year of the original reinsurance payment. They are reported according to the month the agency received a reinsurance payment, not the month the reinsurance payment was requested.

If refunds are being reported for reinsurance claims paid in different months, a separate page must be submitted for each month.

Example: An agency is refunding \$150.00 for three Unsubsidized Stafford Loan claims that were first disbursed before October 1, 1993 on claims that were paid in January, 1995; \$300.00 for two Unsubsidized Stafford Loans first disbursed on or after October 1, 1993 on claims that were paid in March 1995, and \$75.00 for two Unsubsidized Stafford Loans first disbursed before October 1, 1993 on claims paid in April, 1995. Separate pages must be submitted for the Unsubsidized Stafford Loan type for January, 1995; March,

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1995; and April, 1995. These three dates would be shown in the "Month Reinsurance Claim Paid By ED" item in the three page headings.

The effect of a partial refund of a default claim and a lender-of-last-resort loan (default) claim on a guaranty agency's "trigger figure" depends upon whether the agency has a repurchase agreement with ED:

- If a guaranty agency has a repurchase agreement:
 - ED reduces the total of default claims paid and SPA charges reimbursed which are subject to the reinsurance trigger by the amount of the partial refund. This rule applies if the refund is for a reinsurance default claim or lender-of-last-resort loan (default) claim paid during the current federal fiscal year. Once the guaranty agency has exceeded its trigger for the current federal fiscal year, subsequent partial refunds do not affect the trigger calculation. Instead, the partial refund amount is credited against default claims paid to the guaranty agency in the following federal fiscal year.
 - A partial refund of a reinsurance default claim or lender-of-last-resort loan (default) claim paid during a previous Federal fiscal year does not affect any trigger calculations.
 - A repurchase agreement only covers default claims and lender-of-last-resort loan (default) claims. It does not apply to exempted, bankruptcy, death and disability, closed school, or false certification claims because these claims do not affect a guaranty agency's trigger figure.
- If a guaranty agency does not have a repurchase agreement a partial refund affects the agency's reinsurance trigger calculation up to the time the agency exceeds the trigger. The trigger is affected only for partial refunds when the reinsurance claim was paid during the current federal fiscal year.

See the Reinsurance, Trigger Figure, and Collections Sec-

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tion of Chapter II, Introduction for a further explanation of the trigger figure.

Enter the Guaranty Agency State Name, the Guaranty Agency Code, the Loan Type Code, the "For Month Of" date, the "Month Reinsurance Claim Paid By ED" date and the page numbers according to the instructions under Chapter III, Cover Page and Page Headings.

The Refunds for Overpayment and Overbilling Part has two sections.

Partial Refund of Reinsurance Claims Section

This Section is used to refund part of a reinsurance claim paid by ED when a lender refunded part of the insurance claim paid by the guaranty agency.

A partial refund includes a collection which the lender received and forwarded to the guaranty agency after the agency filed for reinsurance on the loan with ED, but before ED paid the reinsurance claim.

The guaranty agency must reimburse ED for the entire amount of the lender's partial refund on all except a default claim. On a default claim, the guaranty agency can reduce the refund by any complement if reinsurance was originally paid at a reduced rate.

Separate pages of this Section must be submitted for each loan type code, "For Month Of" and "Month Reinsurance Claim Paid by ED" combination.

The Partial Refund of Reinsurance Claims Section has two columns and eight line items. For each of the items in this Section, enter the information requested in each column using the following definitions:

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Column A - Number of Claims

The total number of borrowers for each type of claim being partially refunded for the reporting period as defined above. The number of borrowers is a count within each item based on unduplicated social security numbers.

Column B - Refund Net of Any Complement

The total partial refund amount that the guaranty agency received from all lenders for all claims in the claim type, less any complement if the reinsurance was originally paid at a reduced reinsurance rate. See the Reinsurance, Trigger Figure, and Collections Section of Chapter II, Introduction for an explanation of the reinsurance complement.

A partial refund may include amounts originally paid to a lender for:

- principal,
- lender interest,
- guaranty agency claim interest,
- collection costs for closed school and false certification claims,
- allowable outstanding collection costs on rehabilitated loans that subsequently default, and
- allowable outstanding collection costs on consolidation loans that subsequently default.

It does not include amounts paid to lenders for other items such as late charges, collection costs, and attorney's fees. It also excludes non-reinsured GA interest. See the Interest Definitions Section of Chapter II, Introduction, for an explanation of the various types of interest.

E-1 DEFAULTS

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Enter the number and amount of partial refunds of reinsurance for default claims for this loan type for this reporting period, as defined above. A default claim is one on which the borrower and endorser, if any, or joint borrowers on a PLUS loan, failed to make an installment payment when due, or to meet other terms of the promissory note, if the Secretary or guaranty agency finds it reasonable to conclude that the borrower or endorser, if any, no longer intend to honor the obligation to repay, provided that this failure persists for: (1) 180 days for a loan repayable in monthly installments; or (2) 240 days for a loan payable in less frequent installments.

Also, include in this line item any partial refunds of reinsurance for defaulted claims for loan guarantees transferred from an insolvent agency under a plan approved by the Secretary. Always consider these loans first disbursed before October 1, 1993, using the appropriate loan type code of TA or TU.

The original reinsurance paid on a default claim may have been subject to a reduced reinsurance reimbursement rate. The guaranty agency must deduct the reinsurance complement from the refund before reporting it to ED.

Example: The guaranty agency receives a refund from a lender of \$100.00 for a default claim. Reinsurance was paid at 90 percent. The guaranty agency would refund only \$90.00, that is, 90 percent of \$100.00, to ED.

E-2 EXEMPTED CLAIMS

Enter the number and amount of partial refunds of reinsurance for exempted claims for this loan type for this reporting period, as defined above. An exempted claim is one on which the borrower defaulted after the lender determined that the borrower or student failed to establish eligibility for the loan.

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Exempted claims, regardless of the first disbursement date, should always be reported under the TA or TU loan type code to ensure reimbursements, refunds and collections are calculated at 100 percent.

This is only a general description of exempted claims. Refer to the appropriate regulations and policy bulletins for specifics.

Reinsurance paid on an exempted claim is not subject to a reduced reinsurance rate. Therefore, the guaranty agency must return to ED the entire amount of any partial refund from a lender for such a claim.

E-3 BANKRUPTCY (CHAPTER 12 & 13)

Enter the number and amount of partial refunds of reinsurance for Chapter 12 and 13 bankruptcy claims for this loan type for this reporting period, as defined above. Chapter 12 and 13 bankruptcy claims are claims on which a claim is paid to a lender when the borrower files for relief under Chapter 12 or 13 of the U.S. Bankruptcy Code.

Report amounts in this item only if the guaranty agency is making a partial refund of a Chapter 12 or 13 bankruptcy reinsurance payment it received for its payments to the lender.

During the course of the bankruptcy proceedings, the agency must report and return to ED, any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections. These amounts are not refunds.

If the bankruptcy proceedings are concluded and the loan is discharged, then the agency must report and return to ED any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections. These amounts are not refunds.

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If the bankruptcy proceedings are concluded and the loan is not discharged, then the agency must refund to ED both the original and any additional bankruptcy reinsurance payments it received for its payments to the lender. Report this on Part D, Full Refund of Reinsurance Claims.

If the loan is not discharged, then the guaranty agency also must arrange for a lender to repurchase the loan. The loan reverts to an "in repayment" status at the lender. If the borrower does not repay the loan after the repurchase, then the loan could go into default. The guarantee agency could pay a default claim on it and file a default reinsurance claim using Part A, Reinsurance and Supplemental Preclaims Assistance Request. This assumes all applicable lender and agency policies concerning defaulted loans were followed.

Reinsurance paid on a Chapter 12 or 13 bankruptcy claim is not subject to a reduced reinsurance rate. Therefore, the guaranty agency must return to ED the entire amount of any partial refund from a lender for such a claim.

E-4 DEATH AND DISABILITY

Enter the number and amount of partial refunds of reinsurance for death and for disability claims for this loan type for this reporting period, as defined above. A death claim is one on which the loan is cancelled due to the borrower's death. A disability claim is one on which the loan is cancelled due to the total and permanent disability of the borrower. This includes a Federal PLUS loan death or disability claim paid to a lender when a student, on whose behalf a parent received the Federal PLUS loan, dies or becomes permanently disabled.

Reimbursements of death and disability claims are calculated differently for loans made prior to December 15, 1968 and loans made after December 14, 1968.

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For loans made prior to December 15, 1968 only outstanding principal is reinsured. For loans made after December 14, 1968 the principal and interest are reinsured.

There is only one entry to report a partial refund death and disability claims in this Section. The guaranty agency must assure that partial refunds for loans made prior to December 15, 1968 do not include interest charges.

Reinsurance paid on a death or disability claim is not subject to a reduced reinsurance rate. Therefore, the guaranty agency must return to ED the entire amount of any partial refund from a lender for such a claim.

E-5 BANKRUPTCY (CHAPTER 7 & 11)

Enter the number and amount of partial refunds of reinsurance for Chapter 7 and 11 bankruptcy claims for this loan type for this reporting period, as defined above. A Chapter 7 or 11 bankruptcy claim is one on which a claim is paid to a lender because:

- the borrower has been in repayment status over 7 years from the date on which the bankruptcy petition is filed, or
- the borrower begins an action to receive a discharge on the grounds of undue hardship.

Report amounts in this item only if the guaranty agency is making a partial refund of Chapter 7 or 11 bankruptcy reinsurance payments it received for its payments to the lender:

The agency must report and return to ED, any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections. These amounts are not refunds.

Reinsurance paid on a Chapter 7 or 11 bankruptcy

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claim, is not subject to a reduced reinsurance rate.

Therefore, the guaranty agency must return to ED the entire amount of any partial refund from a lender for such a claim.

E-6 CLOSED SCHOOLS

Enter the number and amount of partial refunds of reinsurance for closed school claims for this loan type for this reporting period, as defined above. A closed school claim is one on which a claim is paid to a lender because the student was unable to complete the program in which the student was enrolled due to the closure of the institution.

This is only a general description of closed school claims. Refer to the appropriate regulations and policy bulletins for specifics.

Reinsurance paid on a closed school claim is not subject to a reduced reinsurance rate. Therefore, the guaranty agency must return to ED the entire amount of any partial refund from a lender for such a claim.

E-7 FALSE CERTIFICATION

Enter the number and amount of partial refunds of reinsurance for false certification claims for this loan type for this reporting period, as defined above. A false certification claim is one on which a claim is paid to a lender because the student's eligibility to borrow under the FFEL Program was falsely certified by an eligible institution of higher education.

This is only a general description of false certification claims. Refer to the appropriate regulations and policy bulletins for specifics.

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Reinsurance paid on a false certification claim is not subject to a reduced reinsurance rate. Therefore, the guaranty agency must return to ED the entire amount of any partial refund from a lender for such a claim.

E-8 LENDER OF LAST RESORT LOANS

Enter the number and amount of partial refunds of reinsurance for lender-of-last-resort loan (default) claims for this loan type for this reporting period, as defined above.

A lender-of-last-resort loan (default) claim is one on which the borrower and endorser, if any, or joint borrowers on a PLUS loan, failed to make an installment payment when due, or to meet other terms of the promissory note, if the Secretary or guaranty agency finds it reasonable to conclude that the borrower or endorser, if any, no longer intend to honor the obligation to repay, provided that this failure persists for: (1) 180 days for a loan repayable in monthly installments; or (2) 240 days for a loan payable in less frequent installments.

This is only a general description of lender-of-last resort loans. Refer to the appropriate regulations and policy bulletins for specifics.

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Reinsurance paid on a lender-of-last-resort loan (default) claim is not subject to a reduced reinsurance rate. Therefore, the guaranty agency must return to ED the entire amount of any partial refund from a lender for such a claim.

Overstated Reinsurance Claims Section

This Section is used to correct and refund reinsurance if the guaranty agency's arithmetic or typographical errors on previously submitted reinsurance requests and additional reinsurance requests resulted in the agency, but not the lender, being overpaid. If refunds are being reported for reinsurance claims paid in different months, a separate page must be submitted for each month.

This Section is also used to refund to ED partial amounts paid the agency on supplemental reinsurance requests due to a further change in claim status.

Example: A guaranty agency receives reinsurance on a default claim at a reduced reinsurance rate, then files a supplemental reinsurance request due to the change in status of the claim to bankruptcy (Chapter 12 or 13). The bankruptcy proceedings are concluded and the loan is not discharged. The agency must refund the amount of the supplemental reinsurance paid only, not the combined amount paid originally and in the supplemental request.

This Section may be used to refund part of a payment of supplemental preclaims assistance (SPA) charges that are reimbursable if an error by the guaranty agency resulted in it being overpaid. However, only refunds for SPA charges incurred for loans which became delinquent before November 5, 1990, may be requested in this Section.

If the guaranty agency believes it was overpaid for SPA charges incurred for loans which became delinquent on or after November 5, 1990, then it should contact ED at the

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address given in the Editing and Correction Section of Chapter II, Introduction.

In some cases, an agency may have a reason for refunding reinsurance that is not the result of a lender refund or an overstatement of reinsurance claims. This type of refund would be reported in this Section under ED guidance.

The guaranty agency must refund to ED the entire amount of the overstated reinsurance on all except a default claim. On a default claim, the guaranty agency can reduce the refund by any complement if reinsurance was originally paid at a reduced rate.

Report amounts ED owes the guaranty agency due to understating reinsurance claim amounts in the Understated Reinsurance Claims Section of Part B, Additional Reinsurance Request.

Separate pages of this Section must be submitted for each loan type code, "For Month Of" and "Month Reinsurance Claim Paid by ED" combination.

The Overstated Reinsurance Claims Section has three columns and eight line items. For each of the items in this Section, enter the information requested in each column using the following definitions:

Column A - Decrease in Number of Claims Paid

The decrease in the number of borrowers from that previously reported on reinsurance claims for each type of claim paid to lenders for the reporting period, as defined above. The number of borrowers is a count within each item based on unduplicated social security numbers.

This decrease must be reported even if the amount of reinsurance paid did not change. If an amount is reported in column B, Decrease in Amounts of Reinsurance Due For Principal, Lender & GA Claim Interest, of this Section, but the prior submission had the correct number of borrowers, then enter zero in this column.

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If an amount is reported in column B, Decrease in Amounts of Reinsurance Due For Principal, Lender & GA Claim Interest, of this Section, but previous submissions reported too few claims (borrowers), report the understated number as an increase in the Understated Reinsurance Claims Section of Part B, Additional Reinsurance Report.

Column B - Decrease in Amounts of Reinsurance Due for Lender Claims

The decrease in the amount of reinsurance due from that previously paid for each type of claim for:

- principal,
- lender interest,
- guaranty agency claim interest,
- collection costs for closed school and false certification claims,
- allowable outstanding collection costs on rehabilitated loans that subsequently default,
- allowable outstanding collection costs on consolidation loans that subsequently default, and
- for closed school and false certification claims the decreased amount of collections the agency returned to the borrower at the time the claim was paid to the lender.

Also include under this column, the decrease in the amount of reinsurance due from that previously paid for supplemental preclaims assistance (SPA) charges that have been reimbursed by ED, which were incurred for loans which became delinquent before November 5, 1990, as described in the Supplemental Preclaims Assistance Section of Part A, Reinsurance and Supplemental Preclaims Assistance Request.

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The decrease in SPA is calculated by:

- determining the amount of the SPA reimbursement that was received previously, and
- subtracting the amount of the SPA reimbursement that should have been received. This is determined by multiplying the amount of SPA that should have been requested by the reinsurance rate (100, 90, or 80 percent) in effect at the time the SPA was received. If SPA was paid in several portions at more than one reimbursement rate, then each portion must be multiplied by the reinsurance rate in effect at the time that portion of SPA was received.

SPA payments can only be refunded under Column B, for items E-9, Defaults and E-10, Exempted Claims.

This column does not include amounts paid to lenders for other items such as late charges, collection costs, and attorney's fees.

If reinsurance was requested and paid for non-reinsured GA interest, then this amount must be refunded to ED. Report the amount to be refunded in this column. See the Interest Definitions Section of Chapter II, Introduction, for an explanation of the various types of interest.

If a decrease is reported under column A, Decrease in Number of Claims Paid, of this Section, but a previous submission understated the amount for principal, lender or guaranty agency claim interest, then report the understated amount as an increase in the Understated Reinsurance Claims Section of Part B, Additional Reinsurance Request.

Calculate the decrease by:

- determining the amount of reinsurance that was received previously, and
- subtracting the amount of reinsurance that should have been received. This is determined by multiplying the amount that should have been requested by the

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reinsurance rate (100%, 98%, 90%, 88%, 80% or 78%) in effect at the time the reinsurance was received. If reinsurance was paid in several portions (e.g. original reinsurance under Part A, additional reinsurance under Part B, etc.), then each portion must be multiplied by the reinsurance rate in effect at the time that portion was received.

Example: The guaranty agency actually received the following on a default claim:

<u>Claim</u>	<u>Requested</u>	<u>Reinsurance</u>	
		<u>Rate</u>	<u>Received</u>
Original	\$100	100%	\$100
<u>Additional</u>	<u>20</u>	90%	<u>18</u>
Total	\$120		\$118

The guaranty agency determined that an error had been made. It should not have asked for an additional \$20. Instead it meant to refund \$2 of the original claim. The amount that should have been received is calculated as follows:

<u>Claim</u>	<u>Requested</u>	<u>Reinsurance</u>	
		<u>Rate</u>	<u>Received</u>
Original	\$ 98	100%	\$ 98
<u>Additional</u>	<u>0</u>	90%	<u>0</u>
Total	\$ 98		\$ 98

The decrease is determined as follows:

Amount Actually Received -	\$118
<u>less Amount Should Receive -</u>	<u>98</u>
Decrease (Reported in Column B) -	\$ 20

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E-9 DEFAULTS

Enter the number and amount of refunds due to overstatement of reinsurance for default claims, for this loan type for this reporting period, as defined above. A default claim is one on which the borrower and endorser, if any, or joint borrowers on a PLUS loan, failed to make an installment payment when due, or to meet other terms of the promissory note, if the Secretary or guaranty agency finds it reasonable to conclude that the borrower or endorser, if any, no longer intend to honor the obligation to repay, provided that this failure persists for: (1) 180 days for a loan repayable in monthly installments; or (2) 240 days for a loan payable in less frequent installments.

Also, include in this line item any defaulted claims for loan guarantees transferred from an insolvent agency under a plan approved by the Secretary. Always consider these loans first disbursed before October 1, 1993 using the appropriate loan type code of TA or TU.

The original reinsurance which was paid on a default claim may have been subject to a reduced reinsurance reimbursement rate based on the month in which the guaranty agency received (not filed) for reinsurance. The guaranty agency must deduct the reinsurance complement from the refund before reporting it to ED.

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Examples:

The guaranty agency overbills by \$100.00 on a default claim. Reinsurance was paid at 90 percent. The guaranty agency would refund only \$90.00, that is, 90 percent of \$100.00, to ED.

The agency requested reinsurance on ten defaulted loans in the amount of \$10,000.00 (principal and interest paid to lenders). The agency was paid by ED at the 90 percent reimbursement rate, \$9,000.00 for defaults. The agency then received a refund from the lender of \$100, of which \$90 was returned to ED. The agency should have requested \$5,000.00 for reinsurance on five defaulted loans. However, the partial refund of \$100 makes the correct reinsurance request \$4,900.00. The agency determines its entries for the Overstated Reinsurance Claims Section as follows:

E-9, Defaults - Column A

Number of claims originally reported:	10
less Correct number of claims:	- 5
Decrease in number of claims paid:	5

E-9, Defaults - Column B

Original reinsurance received for lender claims:	\$9,000.00
less partial refund from lender (\$100 x 90%)	- 90.00
less Correct reinsurance request for lender claims (\$4,900 x 90%):	-4,410.00
Decease in Amounts of Reinsur- ance Due For Principal, Lender & GA Claim Interest	\$4,500.00

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E-10 EXEMPTED CLAIMS

Enter the number and amount of refunds due to overstatement of reinsurance for exempted claims, for this loan type for this reporting period, as defined above. An exempted claim is one on which the borrower defaulted after the lender determined that the borrower or student failed to establish eligibility for the loan.

Exempted claims, regardless of the first disbursement date, should always be reported under the TA or TU loan type code to ensure reimbursements, refunds and collections are calculated at 100 percent.

This is only a general description of exempted claims. Refer to the appropriate regulations and policy bulletins for specifics.

Reinsurance paid on an exempted claim is not subject to a reduced reinsurance rate. Therefore, the guaranty agency must return to ED the entire overstated amount.

E-11 BANKRUPTCY (CHAPTER 12 & 13)

Enter the number and amount of refunds due to overstatement of reinsurance for Chapter 12 and 13 bankruptcy claims for this loan type for this reporting period, as defined above. Chapter 12 and 13 bankruptcy claims are claims on which a claim is paid to a lender when the borrower files for relief under Chapter 12 or 13 of the U.S. Bankruptcy Code.

Report amounts in this item only if the guaranty agency is making a partial refund of a reinsurance payment it received due to overstatement or due to the filing of a change in status supplemental reinsurance request under Part C.

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If the bankruptcy proceedings are concluded and the loan is discharged, then the agency must return to ED, and report to ED, any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections. These amounts are not refunds.

If the bankruptcy proceedings are concluded and the loan is not discharged, then the agency must refund to ED both the original and any additional bankruptcy reinsurance payments it received due to overstatement. Report this on Part D, Full Refund of Reinsurance Claims. In such a case the guaranty agency also must arrange for a lender to repurchase the loan. The loan reverts to an "in repayment" status at the lender. If the borrower does not repay the loan after the repurchase, then the loan could go into default. The guarantee agency could pay a default claim on it and file a default reinsurance claim using Part A, Reinsurance and Supplemental Preclaims Assistance Request. This assumes all applicable lender and agency policies concerning defaulted loans were followed.

However, if

- the guaranty agency was originally paid for the claim as a default or lender-of-last-resort loan (default) claim,
- then received change in status supplemental reinsurance under Part C,
- then the bankruptcy proceedings are concluded and the loan is not discharged;

then the agency must refund to ED the supplemental reinsurance payments it received. The guaranty agency would continue to hold the loan and attempt to collect on it like any other default claim.

Reinsurance paid on a Chapter 12 or 13 bankruptcy claim is not subject to a reduced reinsurance rate. Therefore, the guaranty agency must return to ED the

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entire overstated amount.

E-12 DEATH AND DISABILITY

Enter the number and amount of refunds due to overstatement of reinsurance for death and for disability claims, for this loan type for this reporting period, as defined above. A death claim is one on which the loan is cancelled due to the borrower's death. A disability claim is one on which the loan is cancelled due to the total and permanent disability of the borrower. This includes a Federal PLUS loan death or disability claim paid to a lender when a student, on whose behalf a parent received the Federal PLUS loan, dies or becomes permanently disabled.

Reimbursements of death and disability claims are calculated differently for loans made prior to December 15, 1968 and loans made after December 14, 1968.

For loans made prior to December 15, 1968 only outstanding principal is reinsured. For loans made after December 14, 1968 the principal and interest are reinsured.

There is only one entry to report a partial refund of death and disability claims in this Section. The guaranty agency must assure that partial refunds for loans made prior to December 15, 1968 do not include interest charges.

Reinsurance paid on a death or disability claim is not subject to a reduced reinsurance rate. Therefore, the guaranty agency must return to ED the entire overstated amount.

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E-13 BANKRUPTCY (CHAPTER 7 & 11)

Enter the number and amount of refunds due to overstatement of reinsurance for Chapter 7 or 11 bankruptcy claims, for this loan type for this reporting period, as defined above. A Chapter 7 or 11 bankruptcy claim is one on which a claim is paid to a lender because:

- the borrower has been in repayment status over 7 years from the date on which the bankruptcy petition is filed, or
- the borrower begins an action to receive a discharge on the grounds of undue hardship.

Report amounts in this item only if the guaranty agency is making a partial refund of any additional bankruptcy reinsurance payment it received due to overstatement or due to the filing of a change in status supplemental reinsurance request under Part C:

The agency must return to ED any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections. These amounts are not refunds.

However, if:

- the guaranty agency was originally paid for the claim as a default,
- then received change in status supplemental reinsurance under Part C,
- then the bankruptcy proceedings are concluded and the loan is not discharged;

then the agency must refund to ED the supplemental reinsurance payments it received. The guaranty agency would continue to hold the loan and attempt to collect on it like any other default claim.

Reinsurance paid on a bankruptcy claim is not subject

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to a reduced reinsurance rate. Therefore, the guaranty agency must return to ED the entire amount due to overstatement of such a claim.

Example: The agency requested and was paid by ED \$500.00 for five Chapter 7 and 11 bankruptcy reinsurance claims. The agency should have requested \$100.00 less for principal on one claim. The agency determines its entries for the Overstated Reinsurance Claims Section as follows:

E-13, Bankruptcy (Chapter 7 & 11), Column A

Number of claims originally reported:	5
less Correct number of claims:	- 5
Decrease in number of claims paid:	0

E-13, Bankruptcy (Chapter 7 & 11), Column B

Original reinsurance received for lender claims:	\$ 500.00
less Correct reinsurance request for lender claims:	- 400.00
Decrease in Amounts of Reinsurance Due For Principal Lender & GA Claim Interest:	\$ 100.00

Since bankruptcy claims are always paid at 100 percent, there is no reinsurance complement to consider in this example.

E-14 CLOSED SCHOOLS

Enter the number and amount of refunds due to overstatement of reinsurance for closed school claims, for this loan type for this reporting period, as defined above. A closed school claim is one on which a claim is paid to a lender because the student was unable to complete the program in which the student was enrolled due to the closure of the institution.

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This is only a general description of closed school claims. Refer to the appropriate regulations and policy bulletins for specifics.

Reinsurance paid on a closed school claim is not subject to a reduced reinsurance rate. Therefore, the guaranty agency must return to ED the entire overstated amount.

E-15 FALSE CERTIFICATION

Enter the number and amount of refunds due to overstatement of reinsurance for false certification claims, for this loan type for this reporting period, as defined above. A false certification claim is one on which a claim is paid to a lender because the student's eligibility to borrow under the FFEL Program was falsely certified by an eligible institution of higher education.

This is only a general description of false certification claims. Refer to the appropriate regulations and policy bulletins for specifics.

Reinsurance paid on a false certification claim is not subject to a reduced reinsurance rate. Therefore, the guaranty agency must return to ED the entire overstated amount.

E-16 LENDER OF LAST RESORT LOAN

Enter the number and amount of refunds due to overstatement of reinsurance for lender-of last-resort loan (default) claims for this loan type for this reporting period, as defined above. Lender-of-last-resort loans are loans made only to students who are otherwise unable to obtain loans.

A lender-of-last-resort loan (default) claim is one on which the borrower and endorser, if any, or joint borrowers on a PLUS loan, failed to make an installment payment when due, or to meet other terms of the

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promissory note, if the Secretary or guaranty agency finds it reasonable to conclude that the borrower or endorser, if any, no longer intend to honor the obligation to repay, provided that this failure persists for: (1) 180 days for a loan repayable in monthly installments; or (2) 240 days for a loan payable in less frequent installments.

This is only a general description of lender-of-last resort loans. Refer to the appropriate regulations and policy bulletins for specifics.

Reinsurance paid on a lender-of-last-resort loan (default) claim is not subject to a reduced reinsurance rate. Therefore, the guaranty agency must return to ED the entire overstated amount.

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IX. PART F: DEFAULT AND BANKRUPTCY COLLECTIONS

This Part reports collections by the guaranty agency and its agents on loans on which ED has paid reinsurance and which have not been assigned to ED by the agency. This includes collections of default, exempted, and lender-of-last-resort loan (default) claims on which the guaranty agency is entitled to retain a percentage of the amount collected to pay for its collection costs. Guaranty agencies can retain 30 percent of their collections received before October 1, 1993 and 27 percent of their collections received on or after October 1, 1993.

This Part also reports collections on bankruptcies. A guaranty agency may not retain any portion of bankruptcy collections to pay for collection costs.

Additionally, this Part is used by the guaranty agency to request refunds of borrower payments for closed school and false certification claims originally paid as a default or lender-of-last-resort loan (default) claim.

A guaranty agency may not attempt to collect on the following types of claims:

- bankruptcy (all Chapters)
- death and disability
- closed school
- false certification

Collections received on death claims after the date of the borrower's death must be returned by the guaranty agency to the borrower's estate.

Collections received on disability claims after the date the borrower notified the holder of the loan of a total and permanent disability that was subsequently approved must be returned by the guaranty agency to the borrower.

Borrower's collections received on a closed school or false certification claim after the date the holder of the loan

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filed a closed school or false certification insurance claim with the guaranty agency, but before reinsurance was paid, must be returned by the holder or the guaranty agency to the borrower. See Part A for instructions on reporting collections returned before reinsurance was paid.

Collections received on a closed school or false certification claim after reinsurance was paid must also be returned to the borrower by the guaranty agency. The agency will charge the Department using this Part.

If the guaranty agency has returned a payment to a borrower, or the borrower's representative, with notification that there is no obligation to pay the loan, and the borrower or representative continues to send payments to the guaranty agency, the agency shall remit all of these payments to the Secretary. For reporting guidance, contact ED at the address given in the Introduction, Editing and Correction Section of these instructions.

Recoveries on closed school and false certification claims received after reinsurance is paid from sources other than the borrower such as tuition recovery funds, performance bonds, or other third-party payments, are not reported in this Part. Call the Closed School Section, Institutional Participation and Oversight Service for instructions on submitting these recoveries to the Department. Their address and telephone number is:

Closed School Section
Special Initiatives Branch, IPOS
OPE/U.S. Department of Education
Room 3919, ROB-3
7th and D Streets, S.W.
Washington, D. C. 20202
Phone: (202) 401-3294.

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Exempted claims include loans on which the borrower defaulted after the lender determined that the borrower failed to establish eligibility for the loan.

Collections on these exempted claims are to be made in accordance with the instructions in Student Financial Assistance Programs bulletin 89-G-159 dated May, 1989. Collections on other exempted claims are to be reported in this Part or in Part J, GA Administrative Wage Garnishment Collections, as appropriate.

For all exempted claims, always consider these loans first disbursed before October 1, 1993 using the appropriate loan type code of TA or TU.

Also, include in this Part any collections received on defaulted claims from loan guarantees transferred from an insolvent agency under a plan approved by the Secretary. Always consider these loans first disbursed before October 1, 1993 using the appropriate loan type code of TA or TU.

A guaranty agency may not attempt to collect on bankruptcy claims. However, the guaranty agency may receive recoveries from the Bankruptcy Court.

All collections must be reported to ED within 45 days of the receipt of the collections by the guaranty agency or its agent. Report collections by loan type and according to the month and year that the money was received by the agency. If collections are being reported that were received in different months, a separate page must be submitted for each loan type for each month.

Amounts from collection checks returned for insufficient funds (bounced checks) are deducted prior to reporting collections to ED. Always net out bounced check amount from the most recent month reported. If the bounced check amount results in a negative amount for one loan type, contact the Department for reporting instructions.

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Examples: An agency reports collections received in April, 1995. Some of the collections are for loan type code TU (Unsubsidized Stafford loans first disbursed before October 1, 1993), and some are for loan type code XA (all other FFEL programs combined for loans first disbursed on or after October 1, 1993). It also reports some collections received in March, 1995 for loan type code TA (all other FFEL programs combined for loans first disbursed before October 1, 1993). The agency must submit one page for collections in March, and two additional pages for the collections for April.

An agency receives two collections checks in June, 1995, for Unsubsidized Stafford Loans (loan type code TU). Both checks are returned in July due to insufficient funds. The agency reports the collections on a Part F page for loan type code TU for June. It then deducts the amount of the bounced checks from the collection amounts reported on a Part F page for loan type code TU for July.

Enter the Guaranty Agency State Name, the Guaranty Agency Code, the Loan Type Code, the "For Month Of" date, the "Collections Received In Month Of" date and the page numbers according to the instructions under Chapter III, Cover Page and Page Headings.

The Default and Bankruptcy Collections Part has three sections. The columns are the same for each section.

For each line item in Part F enter the information requested for collections received for each month for each loan type code during the reporting period. Enter the information in each column using the following definitions:

Column A - Number of Accounts

The total number of borrowers from whom one or more payments were received. The number of borrowers is a count

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within each item based on unduplicated social security numbers.

Column B - Total Collected

The total amount of collections, as defined for each Section, which the agency and its agents received. Deduct the amount of checks returned for insufficient funds (bounced checks) during the month.

Since this column can include amounts for collections not reported in other columns, the amount reported in this column may be greater than the combined totals of columns C, and D for each item.

Column C - Applied to Principal & Purchased Interest and Pre-11/90 SPA

The total amount of collections which were applied to the portion of each borrower's account which represents principal and purchased interest.

This includes only those SPA charges which were reimbursed by ED and which were incurred for loans which became delinquent before November 5, 1990. SPA charges which were reimbursed by ED and which were incurred for loans which became delinquent on or after November 5, 1990 are not a debt chargeable to the borrower, and therefore cannot be collected from the borrower. Refer to the Supplemental Preclaims Assistance Section of Part A, Reinsurance and Supplemental Preclaims Assistance Request, for a further description of SPA.

Deduct that portion of checks returned for insufficient funds (bounced checks) during the month which are attributable to principal, purchased interest and pre-11/90 SPA.

This column does not include amounts paid for other costs such as collection costs, late charges and attorney's fees. Include these amounts in column B, Total Collected.

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Column D - Applied to Accrued Interest

The total amount of collections which were applied to the portion of each borrower's account which represents accrued interest.

See the Interest Definitions Section of Chapter II, Introduction, for an explanation of accrued and other types of interest.

Deduct that portion of checks returned for insufficient funds (bounced checks) during the month which are attributable to accrued interest.

Default Collections Section

This Section reports collections on default, exempted and lender-of-last-resort loan (default) claims. These collections must be reported to ED, and the Secretary is entitled to an equitable share of them.

Collections include amounts collected by an agent of the guaranty agency such as a collection agency or a private attorney. They do not include collections made for the guaranty agency through the U.S. Internal Revenue Service program for offsetting federal income tax refunds (IRS Offset). The application of IRS Offset collections are reported in Part G, Activity on Accounts Referred for Federal Tax Refund Offset. However, collections reported in this Section do include collections received by the guaranty agency when the account is in IRS offset status. Collections reported in this Section also exclude collections from wage garnishment. Wage garnishment collections are reported in Part J, GA Administrative Wage Garnishment Collections.

Since ED reimburses a guaranty agency for its losses on defaults, exempted, and lender-of-last-resort loan (default) claims, the guaranty agency must return to ED whatever it collects from the borrower. The formula for calculating the amount of collections money which a guaranty agency

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must return to ED is referred to as the "Secretary's equitable share" of collections. Collections refers to collections of:

- principal,
- purchased interest (lender interest, guaranty agency claim interest and non-reinsured GA interest),
- accrued interest,
- supplemental preclaims assistance (SPA) charges, and
- any collection charges permitted by law, regulation, or the borrower's promissory note.

See the Interest Definitions Section of Chapter II, Introduction, for an explanation of the various types of interest.

SPA includes only those SPA charges which were reimbursed by ED and which were incurred for loans which became delinquent before November 5, 1990. SPA charges which were reimbursed by ED and which were incurred for loans which became delinquent on or after November 5, 1990 cannot be collected from the borrower. Refer to the Supplemental Preclaims Assistance Section of Part A, Reinsurance and Supplemental Preclaims Assistance Request, for a further description of SPA.

The "Secretary's equitable share" of collections refers to that portion of collections which remain after the following has been deducted:

- an amount equal to the complement of the reinsurance percentage which was in effect when the reinsurance payment was made by the Secretary for default claims, and
- an amount equal to 30 percent of collections for both default and exempted claims to help the guaranty agency pay for the cost of its collection activities on collections received before October 1, 1993, or
- an amount equal to 27 percent of collections for default, exempted, and lender-of-last-resort loan (default) claims to help the guaranty agency pay for the

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cost of its collection activities on collections received on or after October 1, 1993.

Example: A guaranty agency receives a collection from a borrower on a defaulted loan on September 15, 1995 for \$100. The guaranty agency was paid 90 percent reinsurance on the loan. The "Secretary's equitable share" of collections is calculated as follows:

Amount collected:	\$100
less Complement of reinsurance (100% - 90%)	- 10
less 27% of collections:	- 27
Secretary's equitable share	\$ 63

Example: A guaranty agency receives a collection from a borrower on a defaulted loan on January 10, 1994 for \$100. The guaranty agency was paid 98 percent reinsurance on the loan. The "Secretary's equitable share" of collections is calculated as follows:

Amount collected:	\$100.00
less Complement of two percent not paid (100% - 98%)	- 2.00
less 27% of collections:	- 27.00
Secretary's equitable share	\$ 71.00

Exempted and lender-of-last-resort loan (default) claims are always paid at a 100 percent reimbursement rate. Therefore, there is no deduction for a complement of the reinsurance on exempted claims collections.

For exempted claims, always consider these loans first disbursed before October 1, 1993 using the appropriate loan type code of TA or TU.

Also, include in this line item any collections received for defaulted claims from loan guarantees transferred from an insolvent agency under a plan approved by the Secretary. Always consider these loans first disbursed before October

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1, 1993 using the appropriate loan type code of TA or TU.

A guaranty agency must report the entire amount it has collected from each borrower. ED will calculate the amounts that may be deducted and provided to the agency when it processes the agency's ED Form 1189 submission.

Enter the information based on the reinsurance reimbursement rate which was in effect at the time the guaranty agency was reimbursed. If a borrower's account contains original claims, SPA reimbursements, and additional reinsurance which were paid at different rates, the agency must report its collections at either:

- the rate at which each individual item was paid, or
- the highest rate at which any item was paid.

Example: An agency receives a collection on a single borrower's account which includes two claims, one of which received reinsurance reimbursement at the 100 percent rate, and the other at the 80 percent rate. The agency may prorate the collection and report appropriate amounts in item F-1, 100%/98% Reinsurance Reimbursement and F-3, 80%/78% Reinsurance Reimbursement. As an alternative to this, the guaranty agency may report the entire collection in item F-1, 100%/98% Reinsurance Reimbursement, because this was the highest rate at which one of the items in the account was reimbursed.

The Default Collection Section has four line items. For each item in this Section, enter the number and amount of collections received by the guaranty agency and its agents for each month for each loan type code during the reporting period for claims which the guaranty agency received reimbursement from ED.

F-1 100%/98% REINSURANCE REIMBURSEMENT

Enter the number and amount of collections received by the guaranty agency and its agents for each month

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for each loan type code during the reporting period
for claims which the guaranty agency received
100 percent or 98 percent reimbursement from ED.

F-2 90%/88% REINSURANCE REIMBURSEMENT

Enter the number and amount of collections received
by the guaranty agency and its agents for each month
for each loan type code during the reporting period
for claims which the guaranty agency received 90 per-
cent or 88 percent reimbursement from ED.

F-3 80%/78% REINSURANCE REIMBURSEMENT

Enter the number and amount of collections received
by the guaranty agency and its agents for each month
for each loan type code during the reporting period
for claims which the guaranty agency received 80 per-
cent or 78 percent reimbursement from ED.

F-4 LENDER OF LAST RESORT LOAN COLLECTIONS

Enter the number and amount of collections received
by the guaranty agency and its agents for each month
for each loan type code during the reporting period
for lender-of-last-resort loan (default) claims which
the guaranty agency received 100 percent reimburse-
ment from ED.

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Borrower Payment Return - Status Change Default to Closed School/False Certification Section

This Section is used to refund collections to a guaranty agency which were received on a closed school or false certification claim and returned to the borrower after reinsurance was paid. These collections must be returned by the guaranty agency to the borrower. This policy applies only to a loan whose first disbursement was on or after January 1, 1986.

This situation is most likely to occur on accounts that were originally paid as defaults where the borrower made payments to the guaranty agency, and subsequently there was a change in status to closed school or false certification.

Under this situation, if the original default claim was reported in Part A, Reinsurance and Supplemental Preclaims Assistance and was paid at less than 100 percent and the agency reported it in Part C, Change in Status Supplemental Reinsurance Request for supplemental insurance, the reporting would be at the 100 percent reimbursement rate.

On closed school and false certification claims, any collections received by the lender and returned to the borrower by the agency before reinsurance was paid are reported in the original request for reinsurance, Part A, Reinsurance Request Section.

Since the borrower is entitled to a full refund of these collections, ED must recalculate the "Secretary's equitable share" of the collection and return the entire collection amount to the guaranty agency. Collections refer to collection of:

- principal,
- purchased interest (lender interest, guaranty agency claim interest and non-reinsured GA interest),
- accrued interest,
- supplemental preclaims assistance (SPA) charges, and
- any collection charges permitted by law, regulation, or the borrower's promissory note.

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The Borrower Payment Returned - Status Change Default to Closed School/False Certification Section has two line items. For each item in this section, enter the number and amount of borrower payments previously reported to ED, which the guaranty agency refunded. In an effort to reduce the agency's reporting burden, it is not necessary for the agency to report each month that collections were received under "Collections Received in Month Of:." Any collections for which the guaranty agency's collection cost retention was 30 percent must be reported on a "Collections Received In Month Of:" dated prior to 10/93 for each loan type code. All other borrower payment returns can be reported on the agency's most recent "For Month Of" submission for each loan type code.

F-5 CLOSED SCHOOLS

Enter the number and amount of borrower payments returned by the guaranty agency to the borrower for closed school claims for each loan type code during the reporting period.

F-6 FALSE CERTIFICATION

Enter the number and amount of borrower payments returned by the guaranty agency to the borrower for false certification claims for each loan type code during the reporting period.

Bankruptcy Recovery Section

This Section reports collections on bankruptcy claims. These collections must be reported to ED. The Secretary of Education is entitled to 100 percent of collections applied to principal, interest, and SPA charges on these claims.

This Section includes collections on bankruptcies where:

- the loan was initially paid to the guaranty agency as a bankruptcy (Chapter 12 or 13) claim,
- the loan was initially paid to the guaranty agency as a

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- bankruptcy (Chapter 7 or 11) claim,
- the borrower filed for bankruptcy after a default claim was paid to the lender, the reinsurance claim was paid at only 98, 90, 88, 80 or 78 percent of principal and interest, and the complement of the reinsurance was requested by the guaranty agency (see Part C, Change in Status Supplemental Reinsurance Request), and
 - the borrower filed for bankruptcy after a default claim was paid to the lender, the reinsurance claim was paid at 100 percent of principal and interest, and the guaranty agency reported the change in status to ED (see Part I, Non-Payment Activity).

Collections are received on bankruptcy claims at the direction of the Bankruptcy Court. Collections may be received in increments while the loan is under the jurisdiction of the court. This is typical of proceedings in a Chapter 13 bankruptcy (a Wage Earner Plan). Collections may also be received as a lump sum in the distribution of assets at the conclusion of the bankruptcy proceedings.

Since ED reimburses a guaranty agency for its losses on bankruptcy claims, the guaranty agency must return to ED whatever it receives from the Bankruptcy Court. The guaranty agency can receive amounts for:

- principal,
- purchased interest (lender interest, guaranty agency claim interest and non-reinsured GA interest)
- accrued interest,
- supplemental preclaims assistance (SPA) charges, and
- any collection charges permitted by law, regulation, or the borrower's promissory note.

See the Interest Definitions Section of Chapter II, Introduction, for an explanation of the various types of interest.

SPA includes only those SPA charges which were reimbursed by ED and which were incurred for loans which became delinquent before November 5, 1990. SPA charges which were

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reimbursed by ED and which were incurred for loans which became delinquent on or after November 5, 1990 cannot be collected from the borrower, and are therefore not part of a borrower's debt. Refer to the Supplemental Preclaims Assistance Section of Part A, Reinsurance and Supplemental Preclaims Assistance Request, for a further description of SPA.

When a guaranty agency receives a collection payment from the Bankruptcy Court, it must report and return all of it to ED. Since a bankruptcy claim is always paid at the 100 percent reimbursement rate, there is no deduction for a complement of the reinsurance on a claim's collections. Also, a guaranty agency may not retain any portion of bankruptcy collections to pay for collection costs.

If the bankruptcy proceedings are concluded and the loan is not discharged, then the agency must refund to ED any bankruptcy reinsurance payment it received:

- If the loan was originally paid as a Chapter 12 or 13 bankruptcy then the loan must go back into repayment. The guaranty agency must make a full refund of the reinsurance and report it on Part D, Full Refund of Reinsurance Claims. The guaranty agency must also arrange for a lender to repurchase the loan. Any payments received on the loan after it reverts to repayment go to the holder of the loan, not ED.
- If the loan was originally paid as a default claim and then converted to a Chapter 12 or 13 bankruptcy, then it must go back into default. If the guaranty agency received supplemental reinsurance because the original default claim was paid at a reduced reinsurance rate, then the agency must refund to ED the additional 2, 10, 12, 20 or 22 percent reinsurance paid and report it to ED on Part E, Refunds for Overpayment and Overbilling. Any payments received on the loan after it reverts to default go to the guaranty agency. The "Secretary's equitable share" of these payments must be given to ED and reported in the Default Collection Section of this Part or in Part J, GA Administrative Wage Garnishment Collections, as appropriate.

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The Bankruptcy Recovery Section has two line items. For each item in the Bankruptcy Recovery Section, enter the number and amount of collections received by the guaranty agency and its agents for each month for each loan type code during the reporting period for claims which the guaranty agency received reimbursement from ED.

Enter the information requested based on the type and status of the bankruptcy claim.

F-7 BANKRUPTCY (CHAPTER 12 & 13)

Enter the number and amount of collections received by the guaranty agency and its agents from the Bankruptcy Court for each month for each loan type code during the reporting period for reinsurance claims paid as bankruptcy (Chapter 12 or 13). Include amounts collected:

- while the loan was under the jurisdiction of the Bankruptcy Court, and
- as a lump sum at the conclusion of the bankruptcy proceedings, even if the money was collected after the date the proceedings concluded.

F-8 BANKRUPTCY (CHAPTER 7 & 11)

Enter the number and amount of collections received by the guaranty agency and its agents from the Bankruptcy Court for each month for each loan type code during the reporting period for reinsurance claims paid as bankruptcy (Chapter 7 or 11).

Only include amounts collected for bankruptcy (Chapter 7 or 11) claims (usually as a lump sum) at the conclusion of, or as a result of the conclusion of bankruptcy proceedings. It may be several weeks after bankruptcy proceedings conclude before the guaranty agency received money allocated to it by the Bankruptcy Court. Report such amounts in this item.

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X. PART G: ACTIVITY ON ACCOUNTS: FEDERAL TAX REFUND OFFSET

This Part reports activity on accounts after Federal Tax Refund Offset (IRS offset) has occurred.

The guaranty agency initiates action to collect on defaulted loan accounts by way of IRS offset. The collections are made by offsetting amounts owed on the defaulted loan against the borrower's Federal income tax refunds. Offsets are made by the U.S. Internal Revenue Service (IRS) under the Federal Tax Refund Offset Program. Only principal and interest is offset. All other charges must be collected directly by the guaranty agency or its agents. The guaranty agency and its agents can continue to receive collections from the borrowers' themselves after the IRS procedures have been initiated. Collections received by the guaranty agency are reported in Part F, Default and Bankruptcy Collections.

The agency begins the offset process in October of each year. The IRS begins offsetting income tax refunds in the following January. Attempts to offset will continue until the earlier of:

- a borrower's Federal income tax refund is offset against the borrower's debt,
- the guaranty agency stops the IRS offset proceedings on the account, or
- 12 months (January - December) have passed without an IRS Offset occurring.

The IRS charges a processing fee to carry out an offset. This amount can change each year. The processing fee is added to the amount owed on the account when ED sends the information to IRS for the agency. The processing fee is only charged if an offset occurs. The IRS deducts the fee before returning the amount collected to ED. See the instructions for the items in this Part about when to report processing fee information.

Amounts collected under the IRS Offset are reported to the

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guaranty agency. However, the funds themselves are transferred to ED by the U.S. Internal Revenue Service. The ED Form 1189 process is used to reconcile IRS Offset transactions and provide to the guaranty agency any funds it is due under the process.

This is only a general description of IRS Offset. Refer to the appropriate regulations, policy bulletins and other ED issuances for specifics.

The majority of the transactions reported in this Part are offsets of borrowers' Federal income tax refunds against amounts they owe on defaulted loans. Offsets are made only against outstanding principal and interest. The IRS Offset process cannot be used to collect other amounts due from the borrower such as supplemental preclaims assistance (SPA), attorney's fees or other collection costs.

This Section is also used to make refunds when the IRS Offset results in the borrower paying more than is owed, or when the IRS unknowingly offsets a spouse's portion of a joint income tax refund.

ED uses the information reported in these items for reporting, accounting and payment purposes. Though the IRS reports some summary level information directly to ED, an agency must provide the detailed information requested here in order for ED to carry out its responsibilities under law and regulation.

IRS Offset activities must be reported within 45 days of their occurrence. Report IRS Offset activities by loan type code and current "For Month Of."

Since ED reimburses a guaranty agency for its losses on default claims, ED receives whatever is collected from borrowers through IRS Offset. Collections received as a result of the IRS offset process are the federal government's collection, not the guaranty agency's. No amounts are deducted for:

- the complement of the reinsurance percentage which was

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- in effect when the reinsurance payment was made by the Secretary for default claims,
- the 30 percent deducted from guaranty agency collections to help the guaranty agency pay for the cost of its collection activities on collections received before October 1, 1993, or
 - the 27 percent deducted from guaranty agency collections to help the guaranty agency pay for the cost of its collection activities on collections received on or after October 1, 1993.

Enter the Guaranty Agency State Name, the Guaranty Agency Code, the Loan Type Code, the "For Month Of" date, and the page numbers according to the instructions under Chapter III, Cover Page and Page Headings.

This Part has four columns and four line items. For each of the items in this Section, enter the information requested in each column using the following definitions:

Column A - Number of Accounts

The total number of borrowers on which IRS Offset activity has occurred. The number of borrowers is a count within each item based on unduplicated social security numbers.

Column B - Total Collected/Activity

The total amount offset or refunded for this IRS Offset activity. Since this column can include amounts for collections not reported in other columns, the amount reported in this column may be greater than the combined total of columns C and D for each item.

This column also includes IRS processing fees which are charged or refunded to borrowers. See item G-2, Non-Federal Share Offset, for a further explanation of processing fee refunds.

Column C - Applied to Principal & Purchased Interest

The total amount offset or refunded for this IRS Offset ac-

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tivity which were applied to the portion of each borrower's account which represents principal and purchased interest.

If the amount of the IRS Offset results in the borrower overpaying the amount due on the borrower's account, then report that portion of the overpayment which cannot be correctly charged to any category in this column.

This column does not include amounts for other costs such as collection costs, late charges and attorney's fees because they cannot be collected through the IRS Offset process.

Column D - Applied to Accrued Interest

The total amount offset or refunded for this IRS Offset activity which is applied to the portion of each borrower's account which represents accrued interest.

See the Interest Definitions Section of Chapter II, Introduction, for an explanation of accrued and other types of interest.

G-1 IRS OFFSET

Enter the number of accounts and the amounts offset against defaulted borrowers' Federal income tax refunds by the U.S. Internal Revenue Service. The amount offset is used to reduce each borrower's FFEL Program loan indebtedness.

Include IRS processing fees charged to the borrower in the amounts reported for this item in Column B.

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Report all IRS Offsets in this item, even if it results in the borrower overpaying the amount due in the account. The overpayment is corrected by refunding the appropriate amount to the borrower and reporting this in item G-3, Overpayment Refunds.

G-2 NON-FEDERAL SHARE OFFSET

Enter the number and amount of the following types of transactions:

- non-Federal share offset, and
- refunds of part or all of an IRS Offset processing fee.

The non-Federal share offset is the portion of the IRS offset which is attributable to that portion of a borrower's account which would not be due to ED if the account were not subject to IRS OFFSET. This includes:

- an amount equal to the complement of the reinsurance percentage which was in effect when the reinsurance payment was made by the Secretary for default claims.

The complement of the reinsurance reimbursement rate is the 2, 10, 12, 20, or 22 percent of that portion of the offset applied to principal and purchased interest. See the Interest Definitions Section of Chapter II, Introduction, for a further explanation of the various types of interest.

Example: A borrower's account balance is \$110 of which:

- \$90 represents principal and purchased interest,
- \$10 represents accrued interest, and
- \$10 represents other collection charges.

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The reinsurance claim on the borrower's loan was paid at the 90 percent reimbursement rate. The IRS offsets the borrower's income tax refund for \$106.

The guaranty agency applies:

- \$10 of the offset to accrued interest,
- \$90 to principal and purchased interest, and
- \$6 to other collection charges, all for the IRS processing fee.

The agency's entries for item G-1, IRS Offset, and item G-2, Non-Federal Share Offset, are:

(D)		(A)	(B)	(C)
	G-1	1	\$106.00	\$90.00
	G-2	1	\$ 16.00	\$ 9.00
				\$10.00
				\$ 1.00

A refund of part or all of an IRS Offset processing fee is reported in item G-2, if:

- the agency is reporting an IRS Offset refund in item G-3, Overpayment Refunds, or item G-4, Injured Spouse Claims, and
- it includes a refund of all or part of the IRS processing fee. Report the amount of the processing fee refunded in column B, Total Collected/ Activity only.

The refunded processing fee is also included in the amounts reported in item G-3, Overpayment Refunds, and item G-4, Injured Spouse Claims.

Do not include the transaction in column A, Number of Accounts, for this item, G-2, Non-Federal Share

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Offset, because the transaction will be reported in column A in item G-1, IRS Offset or item G-4, Injured Spouse Claims.

Use the following formula to determine the amount of the processing fee the IRS has refunded:

Total Refund
- Total Collected/Activity
<u>- Processing Fee</u>

Possible Fee Refund

If the possible fee refund is zero or a negative number, then no portion of the processing fee was refunded.

ED uses the information in this item to adjust its accounting records.

G-3 OVERPAYMENT REFUNDS

Enter the number of refunds and the amount of that portion of the IRS offset which:

- is in excess of the balance due on the defaulted borrower's account, and
- was refunded to borrowers.

Overpayment refunds are made to borrowers by a guaranty agency. ED reimburses a guaranty agency for these amounts.

Report the total amount of the overpayment on the borrower's account in column B, Total Collected/Activity. Include the amount of any IRS processing fee refunded in column B only. Refunds of IRS processing fees are also reported in G-2, Non-Federal Share Offset.

Report that portion of the overpayment of principal and purchased interest which cannot be correctly

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charged to any category in column C, Applied to Principal and Purchased Interest.

Example: A borrower made a \$500 payment to a guaranty agency one day before the IRS offset the borrower's tax refund. The borrower's payment reduced the account balance from \$700 to \$200, all of which was for principal and purchased interest.

The IRS Offset was for \$706. The guaranty agency applies:

- \$200 to the outstanding principal and purchased interest, and
- \$6 to other collection charges for the IRS processing fee.

The agency treats the remaining \$500 as an overpayment on the account. The \$500 is included in the amount reported in column C, Applied to Principal and Purchased Interest of item G-1, IRS Offset. Thus, the total amount reported in G-1(C) is \$700 (\$200 + \$500).

The agency then makes a \$500 overpayment refund to the borrower. The agency decides not to refund the IRS processing fee.

The agency's entries for item G-1, IRS Offset, item G-2, Non-Federal Share Offset, and item G-3, Overpayment Refunds, are:

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	(A)	(B)	(C)	(D)
G-1	1	\$706.00	\$700.00	\$0.00
G-2	0	\$ 0.00	\$ 0.00	\$0.00
G-3	1	\$500.00	\$500.00	\$0.00

Since the offset and refund may occur in different months, the amounts shown in item G-1, IRS Offset, and item G-3, Overpayment Refunds, might be reported in different months.

G-4 INJURED SPOUSE CLAIMS

Enter the number of refunds and the amount of injured spouse claims. An injured spouse claim is the portion of the IRS offset made against that portion of a Federal income tax refund resulting from a joint income tax return which is attributable to the spouse of the defaulted borrower.

The spouse files a claim for this portion with the IRS. The IRS refunds the amount directly to the spouse, and informs the guaranty agency which then increases the defaulted borrower's account balance.

Include the amount of IRS processing fees refunded in column B, Total Collected/Activity. Also report the refund of IRS processing fees in item G-2, Non-Federal Share Offset.

Examples: A borrower has \$1,006.00 offset from her income tax refund. The guaranty agency applies:

- \$90 to Accrued Interest,
- \$910 to Principal and Purchased Interest,
- \$6 to other collection charges for the

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IRS processing fee.

The borrower's husband files an injured spouse claim and receives \$500. The agency applies the \$500 refund to principal and purchased interest. None of the refund is applied to accrued interest or the IRS processing fee.

The agency's entries for item G-1, IRS Offset, item G-2, Non-Federal Share Offset, and item G-4, Injured Spouse Claims are:

	(A)	(B)	(C)	(D)
G-1	1	\$1,006.00	\$910.00	\$90.00
G-2	0	\$ 0.00	\$ 0.00	\$ 0.00
G-4	1	\$ 500.00	\$500.00	\$0.00

A borrower has \$126.00 offset from his income tax refund. The guaranty agency applies:

- \$12 to Accrued Interest,
- \$108 to Principal and Purchased Interest, and
- \$6 to other collection charges for the IRS processing fee.

The borrower's wife files an injured spouse claim for the entire offset and receives it. The agency applies

- \$6 of the refund to the IRS processing fee,
- \$12 to Accrued Interest, and
- \$108 to Principal and Purchased

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Interest.

The agency's entries for item G-1, IRS Offset, item G-2, Non-Federal Share Offset, and item G-4, Injured Spouse Claims are:

	(A)	(B)	(C)	(D)
G-1	1	\$126.00	\$108.00	\$12.00
G-2	0	\$ 6.00	\$ 0.00	\$ 0.00
G-4	1	\$126.00	\$108.00	\$12.00

Since the offset and payment of the injured spouse claim may occur in different months, the amount shown in item G-1, IRS Offset might be reported in a different month from the amounts in item G-2, Non-Federal Share Offset, and item G-4, Injured Spouse Claims.

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XI. PART H: REHABILITATED LOANS

This Part reports rehabilitated loan payments due to ED as the result of the sale of certain defaulted loans to eligible lenders. This information is needed to calculate the payments and adjust ED's accounting records.

A rehabilitated loan is one on which a default, exempted or lender-of-last-resort loan reinsurance claim has been paid.

If the borrower then makes 12 months of consecutive payments, the guaranty agency may sell the loan to an eligible lender. Since 12 consecutive monthly payments are required before a loan is rehabilitated, reinsurance on the default claim would have been paid in a previous federal fiscal year. The agency then must repay to ED a portion of the outstanding principal balance as explained below.

Once the loan is sold back to a lender, the lender is entitled to interest and special allowance payments. If the loan defaults again, the lender can file a claim with the guaranty agency, and the agency can file a reinsurance claim with ED. However, if a rehabilitated loan subsequently becomes a claim, then outstanding principal and accrued interest will be paid on reinsurance. The reasonable collection costs assessed the borrower are capitalized at the time of the loan sale and will be reported as principal if the loan defaults again. "Reasonable" collection costs, under these circumstances, is an amount that does not exceed 18.5 percent of the outstanding amount of principal and accrued interest on the loan at the time the agency arranges the lender purchase to rehabilitate the loan or certifies the payoff amount to the purchasing lender. Collection costs that accrue after rehabilitation cannot be claimed on a subsequent default.

This is only a general description of rehabilitated loans.

The operation of rehabilitated loan activities is covered by an agreement between each guaranty agency and ED. Refer to the agreement and the appropriate regulations and policy bulletins for specifics.

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Rehabilitated loan sales to lenders must be reported to ED within 45 days of their occurrence. At that time, ED will process the repayment the guaranty agency must make.

The guaranty agency must pay ED an amount equal to 81.5 percent of the outstanding principal balance on the loan at the time of the sale to the lender, multiplied by the reinsurance percentage in effect for each portion of the reinsurance claim paid on the loan.

The original principal balance of the loan is the amount paid by the guaranty agency to the lender for principal and purchased interest.

It does not include any other amounts such as:

- accrued interest
- supplemental preclaims assistance (SPA) charges,
- late charges,
- collection costs, and
- attorney's fees.

See the Interest Definitions Section of Chapter II, Introduction, for an explanation of the various types of interest.

Since the borrower made 12 consecutive months of payments on the loan, the outstanding principal balance will usually be less than the principal balance at the time the guaranty agency began collecting on the loan. Collections made over the 12 month period would be reported to ED as default collections using Part F, Default and Bankruptcy Collections, of the ED Form 1189.

If reinsurance was paid on the loan by multiple reinsurance requests, and reinsurance was paid at different rates, the agency must prorate its rehabilitated loan payment or pay ED at the highest reinsurance rate used.

The repayment to ED on the sale of a rehabilitated loan effects a guaranty agency's "trigger figure." ED reduces the total amount of default claims paid and SPA charges reim-

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bursed which are subject to the reinsurance trigger by the amount of the repayment. Once the guaranty agency has exceeded its trigger for the current federal fiscal year, subsequent repayments do not affect the trigger calculation. Instead, the repayment amount is credited against default claims paid and SPA charges reimbursed to the guaranty agency in the following federal fiscal year.

This rule applies whether or not the agency has a repurchase agreement with ED as described in Part D, Full Refund of Reinsurance Claims. See the Reinsurance, Trigger Figure, and Collections Section of Chapter II, Introduction for a further explanation of the trigger figure.

As stated above, only loans on which default, exempted, or lender-of-last-resort loan claims have been paid are eligible for rehabilitation. It does not apply to loans on which bankruptcy, death and disability, closed school, or false certification claims were paid. If these other types of claims are repurchased by a lender, report the transaction in Part D, Full Refund of Reinsurance Claims.

Rehabilitated lender-of-last-resort loans are reported separately since the reinsurance reimbursement rate on these claims is always 100 percent.

For exempted claims, always consider these loans first disbursed before October 1, 1993 using the appropriate loan type code of TA or TU.

Also, include in this Part any rehabilitated loans for loan guarantees transferred from an insolvent agency under a plan approved by the Secretary. Always consider these loans first disbursed before October 1, 1993 using the appropriate loan type code of TA or TU.

Enter the Guaranty Agency State Name, the Guaranty Agency Code, the Loan Type Code, the "For Month Of" date, the "Loans Rehabilitated In Month Of" date and the page numbers according to the instructions under Chapter III, Cover Page and Page Headings.

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The Rehabilitated Loans Part has five columns and four line items.

For each line item in Part H enter the information requested for the rehabilitated loans being reported for each month for each loan type code during the reporting period.

Enter the information in each column using the following definitions:

Column A - Number

The total number of borrowers whose loans were rehabilitated. The number of borrowers is a count within each item based on unduplicated social security numbers.

Column B - Outstanding Principal & Purchased Interest

The total amount of the portion of the balance of each borrower's account at the time the rehabilitated loan was sold to a lender which represents principal and purchased interest.

This column does not include amounts outstanding for other costs such as accrued interest, SPA charges and collection costs. Report accrued interest in column C. Report applicable SPA charges in column D. Report other charges in column E.

Column C - Outstanding Accrued Interest

The total amount of the portion of the balance of each borrower's account at the time the rehabilitated loan was sold to a lender which represents accrued interest.

See the Interest Definitions Section of Chapter II, Introduction, for an explanation of accrued and other types of interest.

Column D - Outstanding Pre-11/90 SPA

The total amount of the portion of the balance of each borrower's account at the time the rehabilitated loan was

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sold to a lender which represents supplemental preclaims assistance (SPA) charges.

This includes only those SPA charges which were reimbursed by ED and which were incurred for loans which became delinquent before November 5, 1990. SPA charges which were reimbursed by ED and which were incurred for loans which became delinquent on or after November 5, 1990 are not a debt chargeable to the borrower, and therefore cannot be collected from the borrower. Refer to the Supplemental Preclaims Assistance Section of Part A, Reinsurance and Supplemental Preclaims Assistance Request, for a further description of SPA.

Column E - Outstanding Other Charges

The total amount of the portion of the balance of each borrower's account at the time the rehabilitated loan was sold to a lender which represents other charges such as:

- late charges,
- collection costs, and
- attorney's fees.

Enter the information for reinsurance claims paid for each item based on the reinsurance reimbursement rate which was in effect at the time the guaranty agency was reimbursed. If reinsurance was paid on the loan through an original claim and additional reinsurance requests, and reinsurance was paid at different rates, the agency must pay ED at either:

- the reinsurance rate at which each portion of the loan was paid, or
- the highest reinsurance rate at which any portion of the loan was paid.

Example: A guaranty agency rehabilitates a loan which was paid by two claims, the original which received reinsurance reimbursement at the 100 percent rate, and an additional claim which was paid at the 80 percent rate. The agency may prorate the

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loan and report appropriate amounts in item H-1, 100%/98% Reinsurance Reimbursement and H-3, 80%/78% Reinsurance Reimbursement. As an alternative to this, the guaranty agency may report the entire loan in item H-1, 100%/98% Reinsurance Reimbursement, because this was the highest rate at which a portion of the loan was reimbursed.

For each line item of this Part, enter the information described below:

H-1 100%/98% REINSURANCE REIMBURSEMENT

Enter the number and amount of rehabilitated loans for each month for each loan type code during the reporting period for loans or portions of loans which the guaranty agency received 100 percent or 98 percent reimbursement from ED.

Note: Rehabilitated lender-of-last-resort loans are reported in line item H-4.

H-2 90%/88% REINSURANCE REIMBURSEMENT

Enter the number and amount of rehabilitated loans for each month for each loan type code during the reporting period for loans or portions of loans which the guaranty agency received 90 percent or 88 percent reimbursement from ED.

H-3 80%/78% REINSURANCE REIMBURSEMENT

Enter the number and amount of rehabilitated loans for each month for each loan type code during the reporting period for loans or portions of loans which the guaranty agency received 80 percent or 78 percent reimbursement from ED.

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H-4 REHABILITATED LENDER OF LAST RESORT LOAN

Enter the number and amount of rehabilitated loans for each month for each loan type code during the reporting period for lender-of-last-resort loans which the guaranty agency received 100 percent reimbursement from ED.

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XII. PART I: NON-PAYMENT ACTIVITY

This Part reports on guaranty agency activities which do not involve the receipt or the disbursement of funds between ED and a guaranty agency. The information is needed by ED for accounting and other reporting purposes.

The information in this Part must be reported to ED within 45 days of its receipt by the guaranty agency. Separate pages must be submitted for each loan type code and "For Month Of" combination.

Part I must always be submitted for each loan type code for the month whether or not any activity covered by this Part occurred for that loan type for that month.

Enter the Guaranty Agency State Name, the Guaranty Agency Code, the Loan Type Code, the "For Month Of" date and the page numbers according to the instructions under Chapter III, Cover Page and Page Headings.

The Non-Payment Activity Part has two sections.

Change of Status for Default and Lender-of-Last-Resort Loan Claims Paid at 100% Section

This Section reports on reinsurance default and lender-of-last-resort loan (default) claims paid at 100 percent whose status changed from default or lender-of-last-resort loan (default) claims to another reinsurance claim category. A guaranty agency must report this information to ED when a defaulted borrower:

- dies,
- becomes totally and permanently disabled,
- files for bankruptcy,
- has a loan discharged due to school closure, or
- has a loan discharged due to false certification by the school.

A change in status of a default claim paid at 100 percent

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has no effect on the amount of reinsurance paid on the claim.

Change of status for default claims paid at less than 100 percent are reported in Part C, Change in Status Supplemental Reinsurance Request. A guaranty agency is entitled to additional reinsurance due to such a change.

Report a change in status from a default to an exempted claim on the Guaranty Agency Quarterly/Annual Report (ED Form 1130). Do not report it here. Report a change of status for all other claim types to another claim type (e.g., bankruptcy to death) on the ED Form 1130 also.

The Change of Status for Default and Lender-of-Last-Resort Loan Claims Paid at 100% Section has four columns and five line items. For each of the items in this Section, enter the information requested in each column using the following definitions:

Column A - Number of Claims

The total number of borrowers for each type of claim for the reporting period whose reinsurance claim status changed from default or lender-of-last-resort loan (default). The number of borrowers is a count within each item based on unduplicated social security numbers.

**Column B - Account Balance at Conversion Of Principal,
Purchased Interest & Pre-11/90 SPA**

The balance for the amount of principal and purchased interest paid to the lender for the default or lender-of-last-resort loan (default) claim which is still outstanding (that is, collections have not been received from the borrower on it) at the time this non-payment activity report is submitted to ED, for each type of claim for the reporting period.

Also include in this column the balance for supplemental preclaims assistance (SPA) charges which are still outstanding (that is, collections have not been received from

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the borrower on it) at the time this non-payment activity report is submitted to ED, for each type of claim for the reporting period.

Include only those SPA charges which were reimbursed by ED and which were incurred for loans which became delinquent before November 5, 1990. Refer to the Supplemental Preclaims Assistance Section of Part A, Reinsurance and Supplemental Preclaims Assistance Request, for a further description of SPA.

Do not report in this column amounts paid to lenders for other items such as accrued interest, late charges, collection costs, and attorney's fees. Accrued interest is reported in column C. Other charges are reported in column D.

Column C - Account Balance At Conversion of Accrued Interest

The balance for accrued interest which is still outstanding (that is, collections have not been received from the borrower on it) at the time this non-payment activity report is submitted to ED, for each type of claim for the reporting period.

See the Interest Definitions Section of Chapter II, Introduction, for an explanation of accrued and other types of interest.

Column D - Account Balance At Conversion of Other Charges

The balance for other charges which are still outstanding (that is, collections have not been received from the borrower on it) at the time this non-payment activity report is submitted to ED, for each type of claim for the reporting period. This include amounts for such charges as:

- late charges,
- collection costs, and
- attorney's fees.

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I-1 BANKRUPTCY (CHAPTER 12 & 13)

Enter the number and amounts for default and lender-of-last-resort loan (default) claims being reported due to the change in status of the default claim to a Chapter 12 or 13 bankruptcy. A Chapter 12 or 13 bankruptcy claim is one on which a borrower has filed for relief under Chapter 12 or 13 of the U.S. Bankruptcy Code.

During the course of the bankruptcy proceedings, the agency must report and return to ED any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections.

If the bankruptcy proceedings are concluded and the loan is discharged, then the agency must report and return to ED any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections.

I-2 DEATH OR DISABILITY

Enter the number and amounts for default and lender-of-last-resort loan (default) claims being reported due to the change in status to death or disability. A death claim is one on which the loan is cancelled due to the borrower's death. This includes a Federal PLUS loan death claim paid to a lender when a student, on whose behalf a parent received the Federal PLUS loan, dies. A disability claim is one on which the loan is cancelled due to the total and permanent disability of the borrower.

I-3 BANKRUPTCY (CHAPTER 7 & 11)

Enter the number and amounts for default and lender-of-last-resort loan (default) claims being reported due to the change in status to bankruptcy (Chapter 7 or 11) A bankruptcy (Chapter 7 or 11) claim is one on which the loan was discharged, if:

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- the borrower has been in repayment status over 7 years from the date on which the bankruptcy petition is filed, or
- the borrower begins an action to receive a discharge on the grounds of undue hardship.

The agency must report and return to ED any amounts received at the direction of the Bankruptcy Court on Part F, Default and Bankruptcy Collections.

I-4 CLOSED SCHOOLS

Enter the number and amounts for default and lender-of-last-resort loan (default) claims being reported due to the change in status to a closed school claim. A closed school claim is one on which a claim is paid to a lender because the student was unable to complete the program in which the student was enrolled due to the closure of the institution.

This is only a general description of closed school claim. Refer to the appropriate regulations and policy bulletins for specifics.

I-5 FALSE CERTIFICATION

Enter the number and amounts for default and lender-of-last-resort loan (default) claims being reported due to the change in status to a false certification claim. A false certification claim is one on which a claim is paid to a lender because the student's eligibility to borrow under the FFEL Program was falsely certified by an eligible institution of higher education.

This is only a general description of false certification claim. Refer to the appropriate regulations and policy bulletins for specifics.

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Change in Status Bankruptcy (Chapter 12 and 13 Not Discharged Section)

This Section is used to report change of status for Chapter 12 and 13 bankruptcies that are not discharged and return to default or lender-of-last-resort loan (default) claim status.

If the bankruptcy proceedings are concluded and the loan is not discharged, then the agency must refund to ED any additional bankruptcy reinsurance payment received and report it on Part E, Refunds for Overpayment and Overbilling. The guaranty agency would continue to hold the loan and attempt to collect on it like any other default or lender-of-last-resort loan (default) claim. However, the current change in status must be reported in this Section.

The Change in Status Bankruptcy (Chapter 12 and 13) Not Discharged Section has four columns and two line items.

I-6 DEFAULTS

Enter the number and amounts for Chapter 12 and 13 bankruptcy claims reported due to the change in status to default.

I-7 LENDER OF LAST RESORT LOAN

Enter the number and amounts for Chapter 12 and 13 bankruptcy claims reported due to the change in status to lender-of-last-resort loan (default).

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XIII. PART J: GA ADMINISTRATIVE WAGE GARNISHMENT COLLECTIONS

This Part reports collections through administrative wage garnishment by the guaranty agency on loans on which ED has paid reinsurance.

Garnishment is the procedure requiring a borrower's employer to withhold a portion of a borrower's pay to repay the amount the borrower owes on a default or a lender-of-last-resort loan (default). A guaranty agency's garnishment procedures must comply with Section 488A of the HEA, appropriate regulations and policy bulletins.

This Part applies only to garnishment collections on accounts which have not been assigned to ED by the guaranty agency. Garnishment collections may be made on default (including exempted claims) and lender-of-last-resort loan (default) claims. The guaranty agency is entitled to retain 30 percent of its collection costs on collections received before October 1, 1993 and 27 percent of its collection costs on collections received on or after October 1, 1993.

This Part is also used by the guaranty agency to request refunds of borrower payments for closed school and false certification claims which were originally paid as a default or lender-of-last-resort loan (default) claim.

A guaranty agency may not use garnishment to collect on the following types of claims. Therefore, they are excluded from this Part:

- bankruptcy (all Chapters)
- death and disability
- closed school
- false certification

Collections on bankruptcies are under the jurisdiction of Federal Bankruptcy Courts and take precedence over the administrative wage garnishment provisions of Section 488A. Administrative wage garnishment cannot be instituted on a

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borrower who has filed for bankruptcy. Administrative wage garnishment in effect at the time a borrower files for bankruptcy would have to cease if the Bankruptcy Court orders a halt to it specifically, or a halt to it as part of a general order to cease any collection activities against a borrower. Report collections ordered by the Bankruptcy Court in Part F, Default and Bankruptcy Collections.

When reinsurance is paid on death, disability, closed school and false certification claims, the borrower's liability for repayment of the loan is discharged by law. Therefore, the guaranty agency cannot attempt to collect on such loans through wage garnishment or any other means.

Exempted claims include loans on which the borrower defaulted after the lender determined that the borrower or student failed to establish eligibility for the loan.

Collections on these exempted claims are to be made in accordance with the instructions in Student Financial Assistance Programs bulletin 89-G-159 dated May, 1989. Wage garnishment may be used to collect on these claims.

For exempted claims, always consider these loans first disbursed before October 1, 1993 using the appropriate loan type code of TA or TU.

Also, include in this line item any collections received for defaulted claims from loan guarantees transferred from an insolvent agency under a plan approved by the Secretary. Always consider these loans first disbursed before October 1, 1993 using the appropriate loan type code of TA or TU.

Wage garnishment collections received on a closed school or false certification claim after reinsurance was paid must also be returned to the borrower by the guaranty agency. The agency will charge the Department using this Part. See Part A for instructions on reporting collections returned before reinsurance was paid.

All wage garnishment collections must be reported to ED

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within 45 days of the receipt of the collections by the guaranty agency or its agent. Report collections by loan type and according to the month and year that the money was received by the agency. If collections are being reported that were received in different months, a separate page must be submitted for each loan type for each month.

Amounts from wage garnishment collection checks from employers returned for insufficient funds (bounced checks) are deducted prior to reporting collections to ED. This does not happen very often. If it does, deduct amounts for bounced checks in the month that the bounced check transactions are recorded by the agency.

Examples: An agency reports wage garnishment collections received in April, 1995. Some of the collections are for loan type code TU (Unsubsidized Stafford), and some are for loan type code TA (all other FFEL programs combined). It also reports some wage garnishment collections received in March, 1995 for loan type code TA. The agency must submit one page for wage garnishment collections in March, and two additional pages for the collections for April.

An agency receives two wage garnishment collections checks in June, 1995, for Unsubsidized Stafford Loans (loan type code TU). Both checks are returned in July due to insufficient funds. The agency reports the collections on a Part J page for loan type code TU for June. It then deducts the amount of the bounced checks from the wage garnishment collection amounts reported on a Part J page for loan type code TU for July.

Wage garnishment collections must be reported to ED, and the Secretary is entitled to an equitable share of them. Wage garnishment collections include amounts collected by court order, though the amounts collected may be sent to an agent of the guaranty agency such as a private attorney.

Report amounts collected directly from a borrower during

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the same period of time as wage garnishment collections in Part F, Default and Bankruptcy Collections, not here in Part J.

Default Collections Section

This Section reports collections on default, exempt, and lender-of-last-resort loan (default) claims. These collections must be reported to ED, and the Secretary is entitled to an equitable share of them.

Since ED reimburses a guaranty agency for its losses on default, exempted and lender-of-last-resort loan (default) claims, the guaranty agency must return to ED whatever it collects through wage garnishment. The formula for calculating the amount of wage garnishment collections money which a guaranty agency must return to ED is referred to as the "Secretary's equitable share" of collections. Collections refers to collections of:

- principal,
- purchased interest (lender interest, guaranty agency claim interest and non-reinsured GA interest),
- accrued interest,
- supplemental preclaims assistance (SPA) charges, and
- any collection charges permitted by law, regulation, or the borrower's promissory note.

See the Interest Definitions Section of Chapter II, Introduction, for an explanation of the various types of interest.

SPA includes only those SPA charges which were reimbursed by ED and which were incurred for loans which became delinquent before November 5, 1990. SPA charges which were reimbursed by ED and which were incurred for loans which became delinquent on or after November 5, 1990 cannot be collected from the borrower. Refer to the Supplemental Preclaims Assistance Section of Part A, Reinsurance and Supplemental Preclaims Assistance Request, for a further description of SPA.

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The "Secretary's equitable share" of collections refers to that portion of wage garnishment collections which remain after the following has been deducted:

- an amount equal to the complement of the reinsurance percentage which was in effect when the reinsurance payment was made by the Secretary for default claims, and
- an amount equal to 30 percent of collections for both default and exempted claims to help the guaranty agency pay for the cost of its collection activities on collections received before October 1, 1993, or
- an amount equal to 27 percent of collections for default, exempted and lender-of-last-resort loan (default) claims to help the guaranty agency pay for the cost of its collection activities on collections received on or after October 1, 1993.

Example: A guaranty agency receives a collection from a borrower on a defaulted loan on September 10, 1995 for \$100. The guaranty agency was paid 90 percent reinsurance on the loan. The "Secretary's equitable share" of collections is calculated as follows:

Garnishment amount collected:	\$100
less Complement of reinsurance (100% - 90%)	- 10
<u>less 27% of collections:</u>	<u>- 27</u>
Secretary's equitable share	\$ 63

Example: A guaranty agency receives a collection from a borrower on a defaulted loan on January 5, 1996 for \$100. The guaranty agency was paid 80 percent reinsurance on the loan. The "Secretary's equitable share" of collections is calculated as follows:

Garnishment amount collected:	\$250.00
less Complement of reinsurance (100% - 80%)	- 50.00
<u>less 27% of collections:</u>	<u>- 67.50</u>

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Secretary's equitable share \$132.50

Exempted claims are always paid at a 100 percent reimbursement rate. Therefore, there is no deduction for a complement of the reinsurance on exempted claims wage garnishment collections.

For exempted claims, always consider these loans first disbursed before October 1, 1993 using the appropriate loan type code of TA or TU.

Also, include in this line item any collections received for defaulted claims on loan guarantees transferred from an insolvent agency under a plan approved by the Secretary. Always consider these loans first disbursed before October 1, 1993 using the appropriate loan type code of TA or TU.

A guaranty agency must report the entire amount it has collected due to wage garnishment. ED will calculate the amounts that may be deducted and retained by the agency when it processes the agency's ED Form 1189 submission.

Enter the Guaranty Agency State Name, the Guaranty Agency Code, the Loan Type Code, the "For Month Of" date, the "Collections Received In Month Of" date and the page numbers according to the instructions under Chapter III, Cover Page and Page Headings.

The GA Administrative Wage Garnishment Collections Part has four columns and six line items.

For each line item in Part J enter the information requested for the collections received for each month for each loan type code during the reporting period. Enter the information in each column using the following definitions:

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Column A - Number of Accounts

The total number of borrowers for whom one or more wage garnishment payments were received. The number of borrowers is a count within each item based on unduplicated social security numbers.

Column B - Total Collected

The total amount of wage garnishment collections which the agency and its agents received. Deduct the amount of wage garnishment checks from employers returned for insufficient funds (bounced checks) during the month. Since this column can include amounts for wage garnishment collections not reported in other columns, the amount reported in this column may be greater than the combined totals of columns C and D for each item.

Column C - Applied to Principal & Purchased Interest

The total amount of wage garnishment collections which were applied to the portion of each borrower's account which represents principal, purchased interest and pre 11/90 SPA.

This includes only those SPA charges which were reimbursed by ED and which were incurred for loans which became delinquent before November 5, 1990. SPA charges which were reimbursed by ED and which were incurred for loans which became delinquent on or after November 5, 1990 are not a debt chargeable to the borrower, and therefore cannot be collected from the borrower. Refer to the Supplemental Preclaims Assistance Section of Part A, Reinsurance and Supplemental Preclaims Assistance Request, for a further description of SPA.

Deduct that portion of wage garnishment checks from employers returned for insufficient funds (bounced checks) during the month which are attributable to principal, purchased interest and pre 11/90 SPA.

This column does not include amounts paid for other costs

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such as collection costs, late charges and attorney's fees. Include these amounts in column B, Total Collected.

Column D - Applied to Accrued Interest

The total amount of wage garnishment collections which were applied to the portion of each borrower's account which represents accrued interest.

See the Interest Definitions Section of Chapter II, Introduction, for an explanation of accrued and other types of interest.

Deduct that portion of wage garnishment checks from employers returned for insufficient funds (bounced checks) during the month which are attributable to accrued interest.

For each item in the GA Administrative Wage Garnishment Collections Part, enter the number and amount of wage garnishment collections received by the guaranty agency and its agents for each month for each loan type code during the reporting period for claims which the guaranty agency received reimbursement from ED.

Enter the information based on the reinsurance reimbursement rate which was in effect at the time the guaranty agency was reimbursed. If a borrower's account contains original claims, SPA reimbursements, and additional reinsurance which were paid at different rates, the agency must report its wage garnishment collections on the borrower at either:

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- the rate at which each individual item was paid, or
- the highest rate at which any item was paid.

Example: An agency receives a wage garnishment collection on a single borrower's account which includes two claims, one of which received reinsurance reimbursement at the 100 percent rate, and the other at the 80 percent rate. The agency may prorate the wage garnishment collection and report appropriate amounts in item J-1, 100%/98% Reinsurance Reimbursement and J-3, 80%/78% Reinsurance Reimbursement. As an alternative to this, the guaranty agency may report the entire wage garnishment collection in item J-1, 100%/98% Reinsurance Reimbursement, because this was the highest rate at which one of the items in the account was reimbursed.

J-1 100%/98% REINSURANCE REIMBURSEMENT

Enter the number and amount of wage garnishment collections received by the guaranty agency and its agents for each month for each loan type code during the reporting period for claims which the guaranty agency received 100 percent or 98 percent reimbursement from ED.

J-2 90%/88% REINSURANCE REIMBURSEMENT

Enter the number and amount of wage garnishment collections received by the guaranty agency and its agents for each month for each loan type code during the reporting period for claims which the guaranty agency received 90 percent or 88 percent reimbursement from ED.

J-3 80%/78% REINSURANCE REIMBURSEMENT

Enter the number and amount of wage garnishment collections received by the guaranty agency and its agents for each month for each loan type code during

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the reporting period for claims which the guaranty agency received 80 percent or 78 percent reimbursement from ED.

J-4 LENDER OF LAST RESORT LOAN COLLECTIONS

Enter the number and amount of wage garnishment collections received by the guaranty agency and its agents for each month for each loan type code during the reporting period for lender-of-last-resort loan (default) claims which the guaranty agency received 100 percent reimbursement from ED.

Borrower Payment Return - Status Change Default to Closed School/False Certification Section

This Section is used to refund wage garnishment collections to a guaranty agency which were received on a closed school or false certification claim and returned to the borrower after reinsurance was paid. These collections must be returned by the guaranty agency to the borrower. This policy applies only to a loan whose first disbursement was on or after January 1, 1986.

This situation is most likely to occur on accounts that were originally paid as defaults where the borrower made payments to the guaranty agency, and subsequently there was a change in status to closed school or false certification.

Under this situation, if the original default claim was reported in Part A, Reinsurance and Supplemental Preclaims Assistance and was paid at less than 100 percent and the agency reported it in Part C, Change in Status Supplemental Reinsurance Request for supplemental insurance, the reporting would be at the 100 percent reimbursement rate.

On closed school and false certification claims, any collections received by the lender and returned to the borrower by the agency before reinsurance was paid are reported in the original request for reinsurance, Part A, Reinsurance Request Section.

Since the borrower is entitled to a full refund of these

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collections, ED must recalculate the "Secretary's equitable share" of the wage garnishment collection and return the entire collection amount to the guaranty agency. Collections refer to collection of:

- principal,
- purchased interest (lender interest, guaranty agency claim interest and non-reinsured GA interest),
- accrued interest,
- supplemental preclaims assistance (SPA) charges, and
- any collection charges permitted by law, regulation, or the borrower's promissory note.

The Borrower Payment Returned - Status Change Default to Closed School/False Certification Section has two line items. For each item in this section, enter the number and amount of wage garnishment borrower payments previously reported to ED, which the guaranty agency refunded. In an effort to reduce the agency's reporting burden it is not necessary for the agency to report each month that collections were received under "Collections Received in Month Of:." Any collections for which the guaranty agency's collection cost retention was 30 percent must be reported on a "Collections Received in Month Of:" dated prior to 10/93 for each loan type code. All other borrower payment returns can be reported on the agency's most recent "For Month Of" submission for each loan type code.

J-5 CLOSED SCHOOLS

Enter the number and amount of wage garnishment borrower payments returned by the guaranty agency to the borrower for closed school claims for each loan type code during the reporting period.

J-6 FALSE CERTIFICATION

Enter the number and amount of wage garnishment borrower payments returned by the guaranty agency to the borrower for false certification claims for each loan type code during the reporting period.

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XIV. PART K: CERTIFICATION

This Part certifies the completeness and accuracy of a guaranty agency's submission of its Guaranty Agency Monthly Claims and Collections Report (ED Form 1189) package.

This Part must always be completed and submitted if any other Part of the ED Form 1189, Parts A through J, is submitted.

Enter the Guaranty Agency State Name, the Guaranty Agency Code, the "For Month Of" date and the page numbers according to the instructions under Chapter III, Cover Page and Page Headings. The heading for this Part does not require a Loan Type Code.

The Certification Part has nine line items.

K-1 TYPE OF SUBMISSION

Indicate by checking the appropriate field whether this ED Form 1189 package is an original submission or the correction of a prior submission. Do not check more than one field. See the Editing and Correction Sections of Chapter II, Introduction, for a further explanation of this matter.

K-2 NO OFFSET OPTIONS

Complete this item only if the guaranty agency does not want ED to automatically offset amounts it owes to ED against amounts ED owes to the guaranty agency.

Indicate by checking the appropriate field in item K-2(A) how the guaranty agency will provide funds to ED. Funds may be sent by check or by electronic funds transfer (EFT). Do not check more than one field.

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If the agency chooses to provide the funds to ED, then complete item K-2(B) to show the amount of the payment and the date:

- the check was mailed to ED, or
- the electronic funds transfer (EFT) was completed.

Enter the amount to the penny (e.g. \$24,678.93).

Enter the month, day and calendar year for the date. Use numbers to stand for the month. Only enter the last two digits of the year (e.g. 07-23-95).

See the Financial Processing Section of Chapter II, Introduction, for a further explanation of this matter.

K-3 NAME OF GUARANTY AGENCY

Enter the full legal name of the guaranty agency. Do not enter the abbreviated Guaranty Agency State Name used in the heading of this Part.

K-4 TYPED NAME OF CONTACT PERSON

Type (or print) the name of a staff member who can serve as a liaison to ED to resolve problems with minimal delay during the processing of an agency's Guaranty Agency Monthly Claims and Collections Report.

K-5 CONTACT TELEPHONE NUMBER

Enter the telephone number, including the area code, and the extension, if applicable, of the contact person named in item K-4, Typed Name of Contact Person.

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K-6 SIGNATURE OF AUTHORIZED OFFICIAL

The certification must be signed in ink by the director of the guaranty agency or an official authorized by the director. Unsigned forms will be returned to the agency.

In signing the form, the authorized official certifies and agrees that the guaranty agency will comply with the conditions of the certification statement printed directly above this item and repeated here:

Certification Statement

The data submitted for this Guaranty Agency Monthly Claims and Collections Report (ED Form 1189) is correct to the best of my knowledge and belief. I certify that it conforms to the laws, regulations and policies applicable to the Federal Family Education Loan Program. I certify under threat of penalty (including loss of reinsurance) that diligent attempts have been made to locate borrowers through reasonable skip tracing techniques for which default claims are filed herein. I agree that all documents, files and accounts supporting this data shall be subject to audit by the Secretary of Education or other authorized representatives of the United States government.

K-7 DATE

Enter the month, day, and year on which the authorized official signed the certification. Numbers should be used to stand for the month. Only the last two digits of the calendar year should be entered.

Example: The authorized official signs the Guaranty Agency Monthly Claims and Collections Report on May 4, 1995, reflecting the agency's activity for the month of March, 1995. The entry for item K-7, Date, is as fol-

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lows:

K-7 DATE: 5-4-95

K-8 TYPED NAME OF AUTHORIZED OFFICIAL

Type (or print) the name of the authorized official who is signing the certification in item K-6, Signature of Authorized Official.

K-9 TITLE OF AUTHORIZED OFFICIAL

Enter the organizational title of the authorized official who is signing the certification in item K-6, Signature of Authorized Official.

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APPENDIX: GUARANTY AGENCY LIST

This is a list of the guaranty agencies that currently or previously received payments from ED under the Federal Family Education Loan Program. Some of these agencies no longer issue loan guarantees or have closed or merged with other agencies.

Listed below for each guaranty agency (GA) is its guaranty agency code, its guaranty agency State name, its guaranty agency abbreviation and its full legal name. For brevity and automatic data processing purposes, ED refers to a guaranty agency by a three digit code (GA code) or by the name of the principal State in which it does business (GA State name). ED sometimes also refers to a guaranty agency by a two letter abbreviation (GA abbreviation) based on the guaranty agency State name. Agencies that no longer guarantee loans or have closed or merged with other agencies are noted with an asterisk.

The Roman numerals in parentheses in some guaranty agency State names are used to distinguish between agencies in States which have more than one guaranty agency involved in the Federal Family Education Loan Program. The numerals are assigned from low to high in the order in which the guaranty agencies signed insurance agreements with the Secretary of Education.

This list is in alphabetical order by GA State name.

Code; GA State Name, GA Abbreviation; Legal Name:

701	Alabama, AL	Alabama Commission on Higher Education
804	Arizona, AZ	Arizona Educational Loan Program
705	Arkansas, AR	Student Loan Guarantee Foundation of Arkansas
706	California, CA	California Student Aid Commission

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Code; GA State Name, GA Abbreviation; Legal Name:

708	Colorado, CO	Colorado Guaranteed Student Loan Program
709	Connecticut, CT	Connecticut Student Loan Foundation
710	Delaware, DE	Delaware Postsecondary Education Commission
711*	Dist of Columb (I), DG	District of Columbia Student Loan Insurance Program
611*	Dist of Columb (II), DC	Higher Education Assistance Foundation - District of Columbia Region
712	Florida, FL	Florida Student Financial Assistance Foundation
713	Georgia, GA	Georgia Higher Education Assistance Corporation
815	Hawaii, HI	Hawaii Educational Loan Program
716*	Idaho, ID	Student Loan Fund of Idaho, Inc.
717	Illinois, IL	Illinois Student Assistance Commission
718	Indiana, IN	State Student Assistance Commission of Indiana
719	Iowa, IA	Iowa College Aid Commission
620*	Kansas, KS	Higher Education Assistance Foundation - Kansas Region
721	Kentucky, KY	Kentucky Higher Education Assistance Authority
722	Louisiana, LA	Louisiana Student Financial Assistance Commission
723	Maine, ME	Finance Authority of Maine
724	Maryland, MD	Maryland Higher Education Loan Corporation
725	Massachusetts, MA	Massachusetts Higher Education Assistance Corporation
726	Michigan, MI	Michigan Higher Education Assistance Authority

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Code; GA State Name, GA Abbreviation; Legal Name:

627*	Minnesota (I), MN	Higher Education Assistance Foundation
727	Minnesota (II), MM	Northstar Guarantee, Inc.
927	Minnesota (III), MB	Transitional Guaranty Agency
728	Mississippi, MS	Mississippi Guaranteed Student Loan Agency
729	Missouri, MO	Coordinating Board for Higher Education
730	Montana, MT	Guarantee Student Loan Program
631*	Nebraska (I), NB	Higher Education Assistance Foundation - Nebraska Region
731	Nebraska (II), NE	Nebraska Student Loan Program
733	New Hampshire, NH	New Hampshire Higher Education Assistance Foundation
734	New Jersey, NJ	New Jersey Higher Education Assistance Authority
735	New Mexico, NM	Student Loan Guarantee Corporation
736	New York, NY	New York State Higher Education Services Corporation
737	North Carolina, NC	North Carolina State Education Assistance Authority
738	North Dakota, ND	North Dakota Guaranteed Student Loan Program
739	Ohio, OH	Ohio Student Loan Commission
740	Oklahoma, OK	Oklahoma Guaranteed Student Loan Program
741	Oregon, OR	Oregon State Scholarship Commission
742	Pennsylvania, PA	Pennsylvania Higher Education Assistance Agency
772*	Puerto Rico, PR	Puerto Rico Higher Education Assistance Corporation

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Code; GA State Name, GA Abbreviation; Legal Name:

744	Rhode Island, RI
	Rhode Island Higher Education Assistance Authority
745	South Carolina, SC
	South Carolina Loan Corporation
746	South Dakota, SD
	Education Assistance Corporation
747	Tennessee, TN
	Tennessee Student Assistance Corporation
948	Texas (I), TC
	Texas Higher Education Coordinating Board
748	Texas (II), TX
	Texas Guaranteed Student Loan Corporation
800	USA Funds, UF
	United Student Aid Funds, Inc.
749	Utah, UT
	Utah Higher Education Assistance Authority
750	Vermont, VT
	Vermont Student Assistance Corporation
778	Virgin Islands, VI
	Virgin Islands Joint Boards of Education
751	Virginia, VA
	Virginia State Education Assistance Authority
753	Washington, WA
	Northwest Educational Loan Association
654*	West Virginia, WV
	Higher Education Assistance Foundation - West Virginia Region
755	Wisconsin, WI
	Great Lakes Higher Education Corporation
656*	Wyoming, WY
	Higher Education Assistance Foundation - Wyoming Region